

COPY

BEFORE THE

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE BOARD OF DIRECTORS)
 FOR UTILITIES OF THE DEPARTMENT OF)
 PUBLIC UTILITIES OF THE CITY OF)
 INDIANAPOLIS, AS SUCCESSOR TRUSTEE)
 OF A PUBLIC CHARITABLE TRUST, D/B/A)
 CITIZENS THERMAL ENERGY FOR (1))
 AUTHORITY TO INCREASE ITS RATES AND)
 CHARGES FOR STEAM UTILITY SERVICE, (2))
 APPROVAL OF A NEW SCHEDULE OF)
 RATES AND CHARGES APPLICABLE)
 THERETO, (3) APPROVAL OF CHANGES TO ITS)
 GENERAL TERMS AND CONDITIONS FOR)
 STEAM SERVICE, (4) APPROVAL OF NEW)
 DEPRECIATION ACCRUAL RATES, AND (5))
 APPROVAL FOR THE QUARTERLY FILING OF)
 FUEL COST ADJUSTMENT APPLICATIONS.)

FILED

APR 16 2007

INDIANA UTILITY
REGULATORY COMMISSION

CAUSE NO. 43201

DIRECT TESTIMONY AND EXHIBITS OF

KERRY A. HEID

On Behalf of Petitioner,
Citizens Thermal Energy

Volume III

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April 16, 2007

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VOLUME III
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CAUSE NO. 43201

VERIFIED DIRECT TESTIMONY

of

KERRY A. HEID

On

Behalf of
Petitioner

Citizens Thermal Energy

Petitioner's Exhibit KAH

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DIRECT TESTIMONY
OF
KERRY A. HEID

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I. INTRODUCTION AND OVERVIEW

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22
1. Please state your name and business address.

A. My name is Kerry A. Heid. My address is 3212 Brookfield Drive, Newburgh, IN
47630.

2. What is your occupation?

A. I am an independent utility rate consultant. I have been engaged by the
Petitioner, Citizens Thermal Energy, to prepare a cost of service study and
recommend a rate design in this proceeding.

3. What is your educational background?

A. In 1973, I graduated from Purdue University with a Bachelor of Science degree
in Civil Engineering. In 1985, I graduated from Indiana University with a Master
of Business Administration degree, majoring in Finance.

4. Please describe your business experience.

A. My business experience and qualifications are set forth in Petitioner's Exhibit
KAH-1.

5. Do you hold any professional accreditations?

1 A. Yes. I have been a licensed Professional Engineer in the State of Indiana
2 since 1977.

3 **6. Have you previously testified before this Commission?**

4 A. Yes. I have testified on numerous occasions before this Commission on cost-
5 of-service, rate design and other matters.

6 **7. What is the purpose of your testimony in this proceeding?**

7 A. The purpose of my testimony is to present evidence on:

8 (1) Petitioner's cost of service study;

9 (2) Petitioner's proposed revenue distribution among its rate schedules; and

10 (3) The proposed rate design and levels of rates and charges applicable to
11 each rate schedule.

12 **8. How is your testimony organized?**

13 A. My testimony is organized into the following sections:

14 I. Introduction and Overview

15 II. Overview of Rate Schedules and Cost of Service Study

16 III. Phase One Cost of Service and Rate Design

17 A. Cost of Service Study

18 B. Proposed Revenue Distribution Among Rate Schedules

19 C. Proposed Rates and Charges

20 IV. Phase Two Cost of Service and Rate Design

21 A. Cost of Service Study

- 1 B. Proposed Revenue Distribution Among Rate Schedules
2 C. Proposed Rates and Charges

3 **9. What exhibits are you sponsoring in this proceeding?**

4 A. I am sponsoring the following exhibits:

- 5 KAH-1 Business Experience and Qualifications of Kerry A. Heid
6 KAH-2 Phase One Cost of Service Study
7 KAH-3 Phase One Tariff for Steam Service
8 KAH-4 Phase One Bill Impacts
9 KAH-5 Phase Two Cost of Service Study
10 KAH-6 Phase Two Tariff for Steam Service
11 KAH-7 Phase Two Bill Impacts
12

13 **II. OVERVIEW OF RATE SCHEDULES AND**

14 **COST OF SERVICE STUDY**

15 **10. Please provide an overview of the current rate schedules that form the basis for**
16 **your cost of service study.**

17 A. The current rate schedules are summarized below. Each of these rate
18 schedules will be discussed in further detail in later sections of my testimony.

19
20 Rate 1 – General Steam Service is available for spaceheating and other
21 general service uses to customers who have Equivalent Direct Radiation
22 (“EDR”) of more than 30,000 square feet. Rate 1 has 169 customers,
23 averaging 19,000 therms per year.
24

1 Rate 2 – Demand Rate Service is available to steam customers who contract
2 for a minimum Billing Demand of 50 therms per hour. Rate 2 has 72
3 customers. The average Rate 2 customer is quite large compared to the Rate
4 1 customers, averaging 472,000 therms per year.

5
6 Rate 3 – Additional Summer Service is available for steam chilling and similar
7 warm weather applications during the Months of April through October. It is
8 also available during the months of November through March when the mean
9 temperature of the preceding day was 40°F or higher. This steam is primarily
10 used in off-peak cooling applications. The customer uses the steam to drive a
11 turbine, which in turn drives a chiller, and provides cooled water for air
12 conditioning needs. There are four large customers receiving service under
13 Rate 3. The average usage of these customers is 2,900,000 therms per year.

14 **11. Please provide an overview of your testimony as it relates to your cost of**
15 **service study.**

16 A. The purpose of my testimony is to sponsor fully allocated cost of service
17 studies based on Petitioner's embedded cost of providing steam service for the
18 twelve months ended September 30, 2006. As described in the testimony of
19 Petitioner's Executive Director of Regulatory Affairs LaTona Prentice,
20 Petitioner's Exhibit LSP, page 5, Petitioner is proposing a two step rate
21 increase. Petitioner's Exhibit LSP-1, Page 2 of 19, Column G, Line 33, reflects

1 the total Phase One revenue requirement is \$60,493,700. Petitioner's Exhibit
2 LSP-1, Page 2 of 19, Column K, Line 33, reflects the total Phase Two revenue
3 requirement is \$63,650,926. As more fully discussed by Ms. Prentice, the
4 \$3,062,670 increase in the Phase Two revenue requirement is necessary to
5 recover the increased costs from the recently approved Covanta Agreement
6 when it becomes effective December 1, 2008. Therefore, I have prepared
7 separate cost of service studies for Phase One and for Phase Two.

8
9 Working with Petitioner's management and staff, I prepared embedded cost of
10 service studies based on Petitioner's accounting costs per books, adjusted for
11 known and measurable changes to test year operating results, for the twelve
12 months ended September 30, 2006. As discussed above, the cost of service
13 studies correspond to the proforma financial exhibits included in the exhibits of
14 LaTona S. Prentice. My objective in performing the cost of service studies was
15 to determine the rate of return on rate base that Petitioner earns from each
16 customer class, which provides an indication as to whether its rates reflect the
17 cost of providing service to each customer class.

18 **12. Explain the composition of the cost of service study.**

19 A. The study consists of two parts. First, the investment required to serve each
20 rate schedule was determined. This was done by allocating total utility rate
21 base at September 30, 2006 among the customer rate classes based on

1 various assignment and allocation methods. Second, the operating expenses
2 incurred in providing service to each customer rate class were determined.

3 This was done by allocating the proforma costs of providing steam service, as
4 determined on a going level basis at present and proposed rates, among the
5 customer rate classes based on various assignment and allocation methods.

6 **13. Where did you obtain the data used to perform the cost of service study?**

7 A. Investment cost data was taken from Petitioner's detailed property accounting
8 information. The cost of service data was obtained from accounting
9 information which formed the basis of the Test Year Statement of Income and
10 Pro Forma Revenue Requirement shown in Petitioner's Exhibit LSP-1, Pages 1
11 and 2 of 19, sponsored by Petitioner's witness Prentice. Data used to derive
12 allocation factors in the allocation of rate base and cost of service came from
13 various sources, including Petitioner's books and records.

14 **14. Please describe in general the assignment and allocation processes used in the**
15 **cost of service study.**

16 A. The various costs or investments were assigned directly to the customer rate
17 classes in those instances where direct assignment was possible. Direct
18 assignments were based on specific details as recorded in Petitioner's books
19 and records or were based on special studies performed by me. Where direct
20 assignment was not possible, the investment or cost was allocated to the
21 customer rate classes using the most appropriate method considering the type

1 of investment or cost involved. For example, investment and cost items were
2 identified as being energy, demand, or customer related. Energy costs are
3 those that vary with the volume of steam delivered to customers and are
4 allocated based on annual volumes. Demand costs are those incurred to
5 deliver steam to customers at certain levels and are, therefore, dependent on
6 customer demands. These costs are allocated based on peak day demands.
7 Customer costs are those that vary with the number of customers served and
8 are allocated based on number of customers. Other costs are directly related
9 to specific plant investments, and these costs were allocated in the same
10 manner as the plant to which they relate.

11
12 **III. PHASE ONE COST OF SERVICE STUDY AND**
13 **RATE DESIGN**

14
15 **A. Cost of Service Study Calculation Schedules**

16 **15. Please describe Petitioner's Exhibit KAH-2.**

17 A. Petitioner's Exhibit KAH-2 presents the cost of service study I prepared in this
18 proceeding based on the Phase One revenue requirement. Schedules 1
19 through 7 present the basic cost of service calculation schedules. The
20 remaining Schedules 8 through 14 present summarized results of the cost of

1 service study and proposed rate design.

2
3 Schedule 1 presents a table of the rate schedule allocation factors used in the
4 cost allocation process. These cost allocation factors are cross-referenced in
5 the cost allocation schedules that will be subsequently discussed in this
6 section. Schedule 2 presents the results of the allocation of Petitioner's rate
7 base among its various customer rate classes. Schedule 3 presents the results
8 of the allocation of depreciation and amortization expenses among the various
9 customer rate classes. Schedule 4 presents the results of the allocation of
10 operation and maintenance expenses ("O&M") among the various customer
11 rate classes at Proforma A and Proforma B revenue levels, respectively. The
12 designation "Proforma A" represents results at present revenue levels. The
13 designation "Proforma B" represents results at proposed revenue levels.
14 Schedule 5 presents the results of the allocation of revenue credits among the
15 various customer rate classes. Schedule 6 reflects the class-by-class
16 calculation of Indiana Utility Receipts Taxes and determines the customer class
17 operating results at present and proposed rates. Schedule 7 reflects the
18 summarized results of the preceding cost of service allocations.

1 **B. Phase One Revenue Distribution Among Rate Schedules**

2 **16. Have you used the results of the Phase One cost of service study in developing**
3 **your proposed revenue allocations by rate schedule?**

4 A. Yes. My cost of service study served as the foundation for determining the
5 revenue allocations I am proposing. My cost of service study was structured to
6 provide revenue and operating income amounts and associated taxes to
7 compute the rate of return on rate base for each rate schedule at both present
8 and proposed rates.

9 **17. Please identify the rates of return by rate schedule under Petitioner's present**
10 **rates.**

11 A. Petitioner's Exhibit KAH-2, Schedule 8, contains the Statement of Operating
12 Income at present rates by rate schedule. Line 11 of that schedule reflects the
13 current rate of return for each rate schedule. Line 12 reflects the Earnings
14 Indices comparing the current class rates of return to the current overall rate of
15 return for Petitioner's steam system.

16 **18. Please identify the total operating revenues by rate schedule that would result**
17 **from equal rates of return at the present revenue level.**

18 A. Petitioner's Exhibit KAH-2, Schedule 9, contains the Statement of Operating
19 Income at equal rates of return at the present revenue level.

1 **19. Please identify the total operating revenues by rate schedule that would result**
2 **from equal rates of return at the proposed revenue requirement.**

3 A. Petitioner's Exhibit KAH-2, Schedule 10, contains the Statement of Operating
4 Income at equal rates of return at the proposed Phase One revenue
5 requirement.

6 **20. Please identify the rates of return by rate schedule under Petitioner's proposed**
7 **Phase One rates.**

8 A. Petitioner's Exhibit KAH-2, Schedule 11, contains the Statement of Operating
9 Income at proposed Phase One rates by rate schedule.

10 **21. Please identify the subsidy level for each rate schedule at present and proposed**
11 **rates and the change in each subsidy level reflected in the proposed revenue**
12 **allocations.**

13 A. Petitioner's Exhibit KAH-2, Schedule 12, reflects the current and proposed
14 customer class subsidy levels for each rate schedule at present and proposed
15 Phase One rates.

16 **22. Please describe the basis for your proposed Phase One subsidy reduction**
17 **levels.**

18 A. Consistent with long-established Commission policy, Petitioner's objective in its
19 revenue allocation process is to reduce interclass subsidies to the extent
20 practical, while mitigating rate shock. Our approach was to propose rates that

1 moved toward equal rates of return and thereby reduce subsidies while
2 producing reasonable percentage increases to each rate schedule. In this
3 case Petitioner concluded that a 25% reduction in subsidies should be
4 proposed. However, the Rate 3 customer class showed the need for a rate
5 decrease, which was deemed undesirable from a rate stability objective.
6 Therefore, the Rate 3 rates were left unchanged, and the Rate 2 rates were
7 adjusted accordingly to mitigate their higher increase.

8 **23. What effect will the proposed revenue distribution and subsidy reduction levels**
9 **have on the annual revenues to be collected from each rate schedule under the**
10 **Phase One revenue requirements?**

11 A. Petitioner's Exhibit KAH-2, Schedule 13, contains a summary of present and
12 proposed Phase One revenues by rate schedule.
13

14 **C. Proposed Phase One Rates and Charges**

15 **24. Have you developed proposed Phase One rates that produce the results**
16 **described in the preceding section for the Phase One revenue requirement?**

17 A. Yes. Petitioner's Exhibit KAH-2, Schedule 14, contains the Calculation of
18 Revenues at Present and Proposed Rates. This schedule summarizes the
19 proposed rates and provides a revenue proof demonstrating they generate the
20 appropriate level of revenues. These proposed rates and charges are
21 contained in the Tariff for Steam Service in Petitioner's Exhibit KAH-3.

1 **25. Please summarize the proposed revisions to the current rate schedules.**

2 A. All of the current rate schedules remain unchanged, other than for changes in
3 the levels of the rates and charges, which will be subsequently described.
4

5 **Rate 1 – General Steam Service**

6 **26. What changes are proposed to the Phase One Rates and Charges for Rate 1-**
7 **General Steam Service?**

8 A. The various Customer Charges for Rate 1 have been increased on essentially
9 an across-the-board basis based on the overall percentage increase to Rate 1.
10 The remaining allocated costs to this rate schedule will be recovered through
11 the Energy Charge, again on essentially an across-the-board basis.

12 **27. Please describe the impact of Petitioner's proposed revenue allocations and**
13 **rates and charges upon Rate 1-General Small Steam Service customers.**

14 A. Petitioner's Exhibit KAH-4, Schedule 1, contains tables of monthly bill amounts
15 calculated at various levels of usage for both present and proposed rates for
16 the Rate 1 customers. The dollar and percentage increase in monthly bill
17 amounts are identified for each usage level.
18

1 **Rate 2 – Demand Rate Service**

2 **28. What changes are proposed to the Phase Two Rates and Charges for Rate 2-**
3 **Demand Rate Service?**

4 A. The Demand Charge for Rate 2 has been raised to \$127.00 from \$104.39.

5 The cost of service study identified the demand costs to be in excess of \$200.
6 However, Petitioner was concerned about the potential for intraclass rate shock
7 and cost shifts if the Demand Charge were increased to that level. Therefore,
8 Petitioner proposed essentially an across-the-board increase to the Demand
9 Charge. The remaining allocated costs to this rate schedule will be recovered
10 through the single-block Energy Charge.

11 **29. What impact will Petitioner's proposed revenue allocation and rates and**
12 **charges have on Rate 2 customers?**

13 A. Petitioner's Exhibit KAH-4, Schedule 2, contains tables of monthly bill amounts
14 calculated at various levels of usage for both present and proposed rates for
15 the Rate 2 customers. The dollar and percentage increase in monthly bill
16 amounts are identified for each usage level at various demand levels.

17
18 **Rate 3 – Additional Summer Service**

19 **30. What changes are proposed to the Rates and Charges to Rate 3-Additional**
20 **Summer Service?**

1 A. As previously described, no changes to the rate levels are proposed for Rate 3
2 customers.

3
4 **IV. PHASE TWO COST OF SERVICE STUDY AND**
5 **RATE DESIGN**

6
7 **A. Cost of Service Study Calculation Schedules**

8 **31. Please describe Petitioner's Exhibit KAH-5.**

9 A. Petitioner's Exhibit KAH-5 presents the cost of service study I prepared in this
10 proceeding based on the Phase Two revenue requirement. Schedules 1
11 through 7 present the basic cost of service calculation schedules. The
12 remaining Schedules 8 through 14 present summarized results of the cost of
13 service study and proposed rate design.

14
15 Schedule 1 presents a table of the rate schedule allocation factors used in the
16 cost allocation process. These cost allocation factors are cross-referenced in
17 the cost allocation schedules that will be subsequently discussed in this
18 section. Schedule 2 presents the results of the allocation of Petitioner's rate
19 base among its various customer rate classes. Schedule 3 presents the results
20 of the allocation of depreciation and amortization expenses among the various

1 various customer rate classes. Schedule 4 presents the results of the
2 allocation of operation and maintenance expenses ("O&M") among the various
3 customer rate classes at Proforma A and Proforma B revenue levels,
4 respectively. Schedule 5 presents the results of the allocation of revenue
5 credits among the various customer rate classes. Schedule 6 reflects the
6 class-by-class calculation of Indiana Utility Receipts Taxes and determines the
7 customer class operating results at present and proposed rates. Schedule 7
8 reflects the summarized results of the preceding cost of service allocations.

9
10 **B. Phase Two Revenue Distribution Among Rate Schedules**

11 **32. Have you used the results of the Phase Two cost of service study in developing**
12 **your proposed revenue allocations by rate schedule?**

13 A. Yes. My cost of service study served as the foundation for determining the
14 revenue allocations I am proposing. My cost of service study was structured to
15 provide revenue and operating income amounts and associated taxes to
16 compute the rate of return on rate base for each rate schedule at both present
17 and proposed rates.

18 **33. Please identify the rates of return by rate schedule under Petitioner's present**
19 **rates.**

20 A. Petitioner's Exhibit KAH-5, Schedule 8, contains the Statement of Operating
21 Income at present rates by rate schedule. Line 11 of that schedule reflects the

1 current rate of return for each rate schedule. Line 12 reflects the Earnings
2 Indices comparing the current class rates of return to the current overall rate of
3 return.

4 **34. Please identify the total operating revenues by rate schedule that would result**
5 **from equal rates of return at the present revenue level.**

6 A. Petitioner's Exhibit KAH-5, Schedule 9, contains the Statement of Operating
7 Income at equal rates of return at the present revenue level.

8 **35. Please identify the total operating revenues by rate schedule that would result**
9 **from equal rates of return at the proposed revenue requirement.**

10 A. Petitioner's Exhibit KAH-5, Schedule 10, contains the Statement of Operating
11 Income at equal rates of return at the proposed Phase Two revenue
12 requirement.

13 **36. Please identify the rates of return by rate schedule under Petitioner's proposed**
14 **Phase Two rates.**

15 A. Petitioner's Exhibit KAH-5, Schedule 11, contains the Statement of Operating
16 Income at proposed Phase Two rates by rate schedule.

17 **37. Please identify the subsidy level for each rate schedule at present and proposed**
18 **rates and the change in each subsidy level reflected in the proposed revenue**
19 **allocations.**

1 A. Petitioner's Exhibit KAH-5, Schedule 12, reflects the current and proposed
2 customer class subsidy levels for each rate schedule at present and proposed
3 Phase Two rates.

4 **38. Please describe the basis for your proposed Phase Two subsidy reduction**
5 **levels.**

6 A. Consistent with long-established Commission policy, Petitioner's objective in its
7 revenue allocation process is to reduce interclass subsidies to the extent
8 practical, while mitigating rate shock. Our approach was to propose rates that
9 moved toward equal rates of return and thereby reduce subsidies while
10 producing reasonable percentage increases to each rate schedule. In this
11 case, Petitioner concluded that a 25% reduction in subsidies should be
12 proposed. However, the Rate 3 customer class showed the need for a rate
13 decrease, which was deemed undesirable from a rate stability objective.
14 Therefore, the Rate 3 rates were left unchanged, and the Rate 2 rates were
15 adjusted accordingly to mitigate their higher increase.

16 **39. What effect will the proposed revenue distribution and subsidy reduction levels**
17 **have on the annual revenues to be collected from each rate schedule under the**
18 **Phase Two revenue requirements?**

19 A. Petitioner's Exhibit KAH-5, Schedule 13, contains a summary of present and
20 proposed Phase Two revenues by rate schedule.

1 **C. Proposed Phase Two Rates and Charges**

2 **40. Have you developed proposed Phase Two rates that produce the results**
3 **described in the preceding section for the Phase Two revenue requirements?**

4 A. Yes. Petitioner's Exhibit KAH-5, Schedule 14, contains the Calculation of
5 Revenues at Present and Proposed Phase Two Rates. This schedule
6 summarizes the proposed rates and provides a revenue proof demonstrating
7 they generate the appropriate level of revenues. These proposed rates and
8 charges are contained in the Tariff for Steam Service in Petitioner's Exhibit
9 KAH-6.

10 **41. Please describe the proposed revisions to Petitioner's current rate schedules.**

11 A. All of the current rate schedules remain unchanged, other than for changes in
12 the levels of the rates and charges, which will be subsequently described.

13
14 **Rate 1 – General Steam Service**

15 **42. What changes are proposed to the Phase Two Rates and Charges for Rate 1-**
16 **General Steam Service?**

17 A. The various Customer Charges for Rate 1 have been increased on essentially
18 an across-the-board basis. The remaining allocated costs to this rate schedule
19 will be recovered through the Energy Charge, again on essentially an across-
20 the-board basis.

1 **43. Please describe the impact of Petitioner's proposed revenue allocations and**
2 **rates and charges upon Rate 1-General Small Steam Service customers.**

3 A. Petitioner's Exhibit KAH-7, Schedule 1, contains tables of monthly bill amounts
4 calculated at various levels of usage for both present and proposed rates for
5 the Rate 1 customers. The dollar and percentage increase in monthly bill
6 amounts is identified for each usage level.

7
8 **Rate 2 – Demand Rate Service**

9 **44. What changes are proposed to the Phase Two Rates and Charges for Rate 2-**
10 **Demand Rate Service?**

11 A. The Demand Charge for Rate 2 has been raised to \$125.00 from \$104.39.
12 The cost of service study identified the demand costs to be in excess of \$200.
13 However, the Petitioner was concerned about the potential for intraclass rate
14 shock and cost shifts if the Demand Charge were increased to that level.
15 Therefore, Petitioner proposed essentially an across-the-board increase to the
16 Demand Charge. The remaining allocated costs to this rate schedule will be
17 recovered through the single-block Energy Charge.

18 **45. What impact will Petitioner's proposed revenue allocation and rates and**
19 **charges have on Rate 2 customers?**

1 A. Petitioner's Exhibit KAH-7, Schedule 2, contains tables of monthly bill amounts
2 calculated at various levels of usage for both present and proposed rates for
3 the Rate 2 customers. The dollar and percentage increase in monthly bill
4 amounts is identified for each usage level at various demand levels.
5

6 **Rate 3 – Additional Summer Service**

7 **46. What changes are proposed to the Rates and Charges to Rate 3-Additional**
8 **Summer Service?**

9 A. As previously described, no changes to the rate levels are proposed for Rate 3
10 customers.

11 **47. Does this conclude your prepared direct testimony?**

12 A. Yes, at the present time.

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VERIFICATION

STATE OF INDIANA)
)
COUNTY OF WARRICK)

ss:

The undersigned, Kerry A. Heid, under penalties of perjury and being first duly sworn on his oath, says that he caused to be prepared and read the foregoing Direct Testimony; and that the representations set forth therein are true and correct to the best of his knowledge, information and belief.

Kerry A. Heid
By: Kerry A. Heid
Heid Rate and Regulatory Services

Subscribed and sworn to before me, a Notary Public, this 16th day of April, 2007.

Ann Dunavent
Signature

ANN DUNAVENT
Printed Name

My Commission Expires: 8/11/08

My County of Residence: Hancock

KERRY A. HEID, P.E.
President

Heid Rate and Regulatory Services

Mr. Heid is an independent rate consultant with 26 years of gas, electric, water and wastewater utility experience in the rate and regulatory areas. Mr. Heid was previously Director of Rates for Vectren Corporation where he directed the rate activities for the Vectren utilities of Indiana Gas Company, Southern Indiana Gas and Electric Company and Vectren Energy Delivery of Ohio. While at Vectren Mr. Heid was responsible for preparation of cost of service studies, development of rate schedules and preparation of Purchased Gas Adjustment ("PGA") filings. Mr. Heid has testified on numerous occasions regarding cost of service studies and rate design.

Prior to his employment with Vectren, Mr. Heid was a senior member of the Indiana Utility Regulatory Commission technical staff. Mr. Heid was also previously employed in the Management Services Division of Black & Veatch Consulting Engineers, where he prepared cost of service studies for utilities throughout the United States.

Since leaving Vectren Mr. Heid has continued consulting with Vectren on gas and electric cost of service and rate design matters. Mr. Heid has also assisted other gas, electric, water and wastewater utility clients in preparing cost of service studies and developing new rate schedules. Mr. Heid has also provided cost of service and rate design assistance to large customers in various regulatory and court proceedings.

Mr. Heid has been actively involved as a member of the following professional industry associations: (i) *American Gas Association ("AGA") Rate and Strategic Planning Committee*, including former Chair of its Revenue Requirements Subcommittee; (ii) *Indiana Gas Association Rate Committee*, Former Chair; (iii) *Edison Electric Institute Economic Regulation and Competition Committee*; (iv) *Indiana Electric Association Rates and Tariffs Committee*; (v) *American Water Works Association Rates and Charges Committee*. Appointed to Subcommittee revising Manual M1, "Principles of Water Rates, Fees, and Charges;" (vi) *Water Subcommittee of the National Association of Regulatory Utility Commissioners ("NARUC")*; and (vii) *Water Environment Federation*.

Mr. Heid has been an instructor at the AGA Gas Rates School, has given presentations to the American Gas Association Rate and Strategic Planning Committee on various topics including PGA mechanisms, and has been invited by the Indiana Utility Regulatory Commission to conduct training for its staff on PGA mechanisms. Mr. Heid has served on the faculty at the NARUC Annual Eastern Utility Water Rate Seminar, and has given presentations to the Annual Meeting of the Indiana Chapter of the American Water Works Association, the Indiana Chapter of the American Society of Civil Engineers, the Indiana Water Association, the Indiana Rural Water Association, the Indiana Association of Conservancy Districts, and the Governor's Drought Advisory Committee.

Mr. Heid has a B.S. degree in Civil Engineering from Purdue University and an MBA degree with a concentration in finance from Indiana University. Mr. Heid is a registered Professional Engineer in the State of Indiana.

Client	Year	Project Emphasis
Vectren North (Indiana Gas Co.)	1990	Gas Cost of Service Study and Rate Design Normal Temperature Adjustment
Vectren North (Indiana Gas Co.)	1992-1995	Gas Cost of Service Study and Rate Design Normal Temperature Adjustment Environmental Cost Recovery Tracker
Vectren North (Indiana Gas Co.)	1989-2002	Quarterly Gas Cost Adjustments
Vectren South (SIGECO)-Gas	2000-2002	Quarterly Gas Cost Adjustments
Vectren South (SIGECO)-Electric	2000-2002	Quarterly Electric Fuel Cost Adjustments Demand Side Management Cost Riders
Vectren Energy Delivery of Ohio	2000-2002	Quarterly Gas Cost Adjustments
Vectren Energy Delivery of Ohio	2001	Gas Cost Recovery Audit
Vectren Energy Delivery of Ohio	2001	Senate Bill 287 Implementation Gross Receipts Tax Rider
Vectren South (SIGECO)-Electric	2001	NOx Environmental Cost Recovery Mechanism
Vectren South (SIGECO)-Electric	2002	NOx Environmental Cost Recovery Mechanism
Vectren South (SIGECO)-Electric	2002	Review of Electric Cost of Service Study
Evansville Business Alliance	2002	Wastewater Cost of Service Study and Rate Design
Evansville Business Alliance	2002	Water Cost of Service Study and Rate Design
Mead Johnson (Bristol Myers)	2003	Wastewater Rate Projections
Vectren South (SIGECO)-Electric	2003	NOx Environmental Cost Recovery Mechanism
South Bend Industrial Intervenors	2003	Wastewater Cost of Service and Rate Design
Indiana Utilities Corporation	2003	Gas Cost of Service and Rate Design
Community Natural Gas Co.	2003	Gas Cost of Service Study and Rate Design
Indiana Natural Gas Corp.	2003	Gas Cost of Service Study and Rate Design
Indiana-American Water Company	2003	Water Cost of Service Study and Rate Design Single Tariff Pricing
GPI at Danville Crossing	2003-2005	Wastewater Rate Design

Client	Year	Project Emphasis
Vectren South (SIGECO)-Gas	2003	Gas Cost of Service Study and Rate Design Normal Temperature Adjustment
Purdue University	2004	Wastewater Cost of Service Study and Rate Design
City of Frankfort , IN	2004	Water Cost of Service Study and Rate Design Large Customer Bypass Negotiations
Evansville Business Alliance	2004	Wastewater Cost of Service Study and Rate Design
Switzerland County Natural Gas	2004	Gas Cost of Service Study and Rate Design
Vectren Energy Delivery of Ohio	2004	Gas Cost of Service Study and Rate Design
Vectren North (Indiana Gas Co.)	2004	Gas Cost of Service Study and Rate Design Normal Temperature Adjustment
Clay Utilities Customers	2005	Outside City Surcharge
City of East Chicago, IN	2005	Water Cost of Service Study and Rate Design
Indianapolis (Veolia) Water Company	2006	Water Cost of Service Study and Rate Design
Culver Academies	2005	Wastewater Cost of Service Study and Rate Design
City of Anderson, IN	2005-2006	Water Cost of Service Study and Rate Design
Vectren South (SIGECO)-Electric	2006-2007	Electric Cost of Service Study and Rate Design
Vectren South (SIGECO)-Gas	2006-2007	Gas Cost of Service Study and Rate Design
MasterGuard Corporation	2006	Electric Rate Billing Dispute
City of Anderson, IN	2006	Wastewater Cost of Service Study and Rate Design
Lawrenceburg Gas Corp.	2006-2007	Gas Cost of Service Study and Rate Design Rate Consolidation
Fountaintown Gas Company	2006	Transportation Balancing Provisions
Lawrenceburg Gas Company Midwest Natural Gas Corporation Indiana Utilities Corporation South Eastern Indiana Natural Gas Co. Fountaintown Gas Company, Inc. Community Natural Gas Co. Boonville Natural Gas Corporation Chandler Natural Gas Corporation Indiana Natural Gas Corporation	2006	Normal Temperature Adjustment

Indiana-American Water Company	2006-2007	Purchased Power Tracker
Missouri-American Water Company	2006-2007	CWIP Surcharge
Grandview Municipal Waterworks	2007	Sale for Resale Rate Litigation
Citizens Gas & Coke Utility	2007	Normal Temperature Adjustment
Southeastern Indiana REMC	2007	Electric Cost of Service Study and Rate Design
Ohio Valley Gas Company	2007	Gas Cost of Service Study and Rate Design Normal Temperature Adjustment Pipeline Safety Integrity Rider
Grandview Municipal Waterworks	2007	Sale for Resale Rate Litigation

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE ONE
SCHEDULE OF ALLOCATION FACTORS**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 1
PAGE 1 OF 2**

<u>NO.</u>	<u>ALLOCATORS</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>	<u>Total</u>
<u>Input Allocators</u>					
2	Annual Sales	3,267,198 6.7177%	33,768,403 69.4310%	11,600,320 23.8513%	48,635,921 100.0000%
3	Number of Bills	2,025 69.0655%	859 29.2974%	48 1.6371%	2,932 100.0000%
5	5 CP Demand Rates 1 and 2	33,192 11.5590%	253,963 88.4410%	0 0.0000%	287,155 100.0000%
6	P/F A Normal Rev. w/o Misc. Rev.	\$4,307,061 11.8495%	\$28,171,326 77.5046%	\$3,869,562 10.6459%	\$36,347,948 100.0000%
11	Direct to Rate 3A	0 0.0000%	0 0.0000%	1 100.0000%	1 100.0000%
13	Annual Sales to Rates 1, 2 & 3B	3,267,198 8.1688%	33,768,403 84.4295%	2,960,374 7.4017%	39,995,975 100.0000%
24	Production Plant	1,974,999 11.0504%	15,699,146 87.8393%	198,431 1.1103%	17,872,575 100.0000%
<u>Internally-Generated Allocators</u>					
100	Gross Plant	\$7,238,432 14.6716%	\$41,139,042 83.3849%	\$958,871 1.9435%	\$49,336,345 100.0000%
101	Net Plant	\$6,386,706 14.6882%	\$36,251,803 83.3720%	\$843,483 1.9398%	\$43,481,992 100.0000%

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE ONE
SCHEDULE OF ALLOCATION FACTORS**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 1
PAGE 2 OF 2**

<u>NO.</u>	<u>ALLOCATORS</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>	<u>TOTAL</u>
<u>Internally-Generated Allocators (cont.)</u>					
103	Distribution Mains	\$1,024,786 10.8328%	\$8,096,817 85.5895%	\$338,453 3.5777%	\$9,460,056 100.0000%
109	Distribution Plant	\$1,024,980 10.8328%	\$8,098,351 85.5895%	\$338,517 3.5777%	\$9,461,848 100.0000%
104	Subtotal Fuel	\$1,047,450 7.4464%	\$10,826,009 76.9625%	\$2,193,137 15.5911%	\$14,066,595 100.0000%
106	Production Plant	\$1,974,999 11.0504%	\$15,699,146 87.8393%	\$198,431 1.1103%	\$17,872,575 100.0000%
110	Subtotal Gross Plant	\$4,282,937 14.6716%	\$24,341,724 83.3849%	\$567,358 1.9435%	\$29,192,019 100.0000%
115	O&M Without Fuel Costs (P/F A)	\$1,420,593 12.6778%	\$9,596,164 85.6389%	\$188,624 1.6833%	\$11,205,381 100.0000%
117	O&M Without Fuel Costs (P/F B)	\$2,394,397 12.6778%	\$16,174,247 85.6389%	\$317,925 1.6833%	\$18,886,568 100.0000%

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE ONE
ALLOCATION OF RATE BASE**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 2
PAGE 1 OF 3**

		<u>No.</u>	<u>Allocation Method</u>	<u>Total</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
<u>GROSS PLANT</u>							
(1)	Total Steam Production Plant						
(2)	Demand	5	5 CP Demand Rates 1 and 2	\$15,191,689	\$1,756,002	\$13,435,687	\$0
(3)	Energy	13	Annual Sales to Rates 1, 2 & 3B	\$2,680,886	\$218,997	\$2,263,459	\$198,431
(4)	Total Distribution Plant						
(5)	Mains						
(6)	Energy	2	Annual Sales	\$1,419,008	\$95,324	\$985,232	\$338,453
(7)	Demand	5	5 CP Demand Rates 1 and 2	\$8,041,047	\$929,462	\$7,111,585	\$0
(8)	Land and Land Rights	103	Distribution Mains	\$1,792	\$194	\$1,534	\$64
(9)	Services	3	Number of Bills	\$1,322,997	\$913,734	\$387,604	\$21,659
(10)	Meters	3	Number of Bills	\$534,599	\$369,223	\$156,624	\$8,752
(11)	Total General and Intangible Plant	110	Subtotal Gross Plant	\$20,144,326	\$2,955,495	\$16,797,318	\$391,513
(12)	Total Gross Plant			\$49,336,345	\$7,238,432	\$41,139,042	\$958,871

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE ONE
ALLOCATION OF RATE BASE**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 2
PAGE 2 OF 3**

	<u>No.</u>	<u>Allocation Method</u>	<u>Total</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
<u>DEPRECIATION RESERVE</u>						
(1)	106	Production Plant	\$1,975,186	\$218,267	\$1,734,990	\$21,930
(2)		Total Distribution Plant Depreciation Reserve				
(3)	103	Distribution Mains	\$1,142,466	\$123,761	\$977,832	\$40,874
(4)	103	Distribution Mains	\$332	\$36	\$284	\$12
(5)	3	Number of Bills	\$130,798	\$90,336	\$38,320	\$2,141
(6)	3	Number of Bills	\$68,110	\$47,040	\$19,954	\$1,115
(7)	110	Subtotal Gross Plant	\$2,537,462	\$372,286	\$2,115,859	\$49,317
(8)		Total Depreciation Reserve	\$5,854,353	\$851,726	\$4,887,239	\$115,388

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE ONE
ALLOCATION OF RATE BASE**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 2
PAGE 3 OF 3**

	<u>No.</u>	<u>Allocation Method</u>	<u>Total</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
<u>OTHER RATE BASE COMPONENTS</u>						
(1)		Materials and Supplies				
(2)	100	Gross Plant	\$4,191,781	\$615,001	\$3,495,311	\$81,469
	101	Net Plant	\$31,667,651	\$4,651,397	\$26,401,952	\$614,303
(3)		Total Other Rate Base Components	<u>\$35,859,432</u>	<u>\$5,266,398</u>	<u>\$29,897,262</u>	<u>\$695,772</u>
(4)		Total Rate Base	<u>\$79,341,424</u>	<u>\$11,653,104</u>	<u>\$66,149,065</u>	<u>\$1,539,254</u>

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE ONE
ALLOCATION OF DEPRECIATION AND AMORTIZATION EXPENSE**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 3
PAGE 1 OF 1**

	<u>No.</u>	<u>Allocation Method</u>	<u>Total</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
<u>DEPRECIATION AND AMORTIZATION EXPENSES</u>						
(1)	106	Production Plant	\$1,110,078	\$122,669	\$975,085	\$12,325
(2)		Total Distribution				
(3)	103	Distribution Mains	\$313,508	\$33,962	\$268,330	\$11,216
(4)	103	Distribution Mains	\$49	\$5	\$42	\$2
(5)	3	Number of Bills	\$79,344	\$54,799	\$23,246	\$1,299
(6)	3	Number of Bills	\$21,063	\$14,547	\$6,171	\$345
(7)	110	Subtotal Gross Plant	\$731,782	\$107,364	\$610,196	\$14,222
(8)	110	Subtotal Gross Plant	\$187,152	\$27,458	\$156,056	\$3,637
(9)		Total Depreciation and Amortization Expense	<u>\$2,442,977</u>	<u>\$360,805</u>	<u>\$2,039,126</u>	<u>\$43,046</u>

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE ONE
ALLOCATION OF OPERATION AND MAINTENANCE EXPENSE
PROFORMA A (PRESENT REVENUE LEVELS)**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 4
PAGE 1 OF 2**

	<u>No.</u>	<u>Allocation Method</u>	<u>Total</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
<u>FUEL COSTS</u>						
(1) Cost of Boiler Fuel	13	Annual Sales to Rates 1, 2 & 3B	\$7,883,375	\$643,978	\$6,655,894	\$583,502
(2) Cost of Purchases	13	Annual Sales to Rates 1, 2 & 3B	\$4,939,167	\$403,472	\$4,170,115	\$365,581
(3) Cost of Purchased Steam-Summer	11	Direct to Rate 3A	\$1,244,053	\$0	\$0	\$1,244,053
(4) Line Loss Fuel	104	Subtotal Fuel	\$5,471,906	\$407,458	\$4,211,318	\$853,130
(5) Proforma Cost of Fuel (Excl. Spec. Contract Fuel)			\$19,538,502	\$1,454,908	\$15,037,326	\$3,046,267
(6) Special Contract Fuel	6	P/F A Normal Rev. w/o Misc. Rev.	\$11,348,517	\$1,344,746	\$8,795,621	\$1,208,150
(7) Total Fuel			\$30,887,019	\$2,799,654	\$23,832,947	\$4,254,417
<u>OPERATING EXPENSES</u>						
(8) Plant Operation & Maintenance Expense	24	Production Plant	\$8,348,167	\$922,510	\$7,332,972	\$92,686
(9) Distribution Operation & Maintenance Expense	109	Distribution Plant	\$2,533,396	\$274,437	\$2,168,322	\$90,637
(10) Customer Ops/Metering Expenses	3	Number of Bills	\$323,818	\$223,646	\$94,870	\$5,301
(11) Administrative and General	115	O&M Without Fuel Costs (P/F A)	\$7,681,187	\$973,804	\$6,578,083	\$129,300
(12) Total Proforma A Operating Costs			\$18,886,568	\$2,394,397	\$16,174,247	\$317,925

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE ONE
ALLOCATION OF OPERATION AND MAINTENANCE EXPENSE
PROFORMA B (PROPOSED REVENUE LEVELS)**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 4
PAGE 2 OF 2**

	<u>NO.</u>	<u>Allocation Method</u>	<u>Total</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
<u>FUEL COSTS</u>						
(1)	13	Annual Sales to Rates 1, 2 & 3B	\$7,883,375	\$643,978	\$6,655,894	\$583,502
(2)	13	Annual Sales to Rates 1, 2 & 3B	\$4,939,167	\$403,472	\$4,170,115	\$365,581
(3)	11	Direct to Rate 3A	\$1,244,053	\$0	\$0	\$1,244,053
(4)	104	Subtotal Fuel	\$5,471,906	\$407,458	\$4,211,318	\$853,130
(5)		Total Proforma Cost of Fuel	\$19,538,502	\$1,454,908	\$15,037,326	\$3,046,267
(6)	6	P/F A Normal Rev. w/o Misc. Rev.	\$11,348,517	\$1,344,746	\$8,795,621	\$1,208,150
(7)		Total Fuel	\$30,887,019	\$2,799,654	\$23,832,947	\$4,254,417
<u>OPERATING EXPENSES</u>						
(8)	24	Production Plant	\$8,348,167	\$922,510	\$7,332,972	\$92,686
(9)	109	Distribution Plant	\$2,533,396	\$274,437	\$2,168,322	\$90,637
(10)	3	Number of Bills	\$323,818	\$223,646	\$94,870	\$5,301
(11)	115	O&M Without Fuel Costs (P/F A)	\$7,681,187	\$973,804	\$6,578,083	\$129,300
(12)		Total Proforma B Operating Costs	\$18,886,568	\$2,394,397	\$16,174,247	\$317,925

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE ONE
ALLOCATION OF MISCELLANEOUS REVENUE CREDITS**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 5
PAGE 1 OF 1**

		<u>Allocation Method</u>	<u>Total</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
<u>MISCELLANEOUS REVENUE CREDITS</u>						
(1)	Special Contract-Margin	6 P/F A Normal Rev. w/o Misc. Rev.	\$6,170,859	\$731,218	\$4,782,699	\$656,943
(2)	Special Contract-Fuel	6 P/F A Normal Rev. w/o Misc. Rev.	\$11,348,517	\$1,344,746	\$8,795,621	\$1,208,150
(3)	Misc. Revenue Credits	6 P/F A Normal Rev. w/o Misc. Rev.	(\$33,054)	(\$3,917)	(\$25,618)	(\$3,519)
(4)	Total Miscellaneous Revenue Credits		<u>\$17,486,322</u>	<u>\$2,072,047</u>	<u>\$13,552,701</u>	<u>\$1,861,574</u>

CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE ONE
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES
PROFORMA A NORMALIZED TAXES

DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 6
PAGE 1 OF 5

<u>No.</u> <u>ALLOCATION METHOD</u>	<u>Total</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
Proforma A Normalized Revenues. w/o Misc. Rev.	\$36,347,948	\$4,307,061	\$28,171,326	\$3,869,562
Proforma A Normalized Miscellaneous Revenues	17,486,322	2,072,047	13,552,701	1,861,574
Proforma A Normalized Rev. w/Misc. Revenues	<u>\$53,834,271</u>	<u>\$6,379,108</u>	<u>\$41,724,027</u>	<u>\$5,731,136</u>
 <u>Indiana Utility Receipts Taxes</u>				
Total Proforma A Normalized Revenues w/ Misc. Rev.	\$53,834,271	\$6,379,108	\$41,724,027	\$5,731,136
Utility Receipts Tax Rate	1.40%	1.40%	1.40%	1.40%
Utility Receipts Tax	<u>\$753,680</u>	<u>\$89,308</u>	<u>\$584,136</u>	<u>\$80,236</u>
 <u>Net Operating Income</u>				
Total Proforma A Normalized Margins	\$53,834,271	\$6,379,108	\$41,724,027	\$5,731,136
Less: Operation and Maintenance Expenses	(18,886,568)	(2,394,397)	(16,174,247)	(317,925)
Less: Fuel Costs	(30,887,019)	(2,799,654)	(23,832,947)	(4,254,417)
Less: Depreciation	(2,442,977)	(360,805)	(2,039,126)	(43,046)
Less: Other Taxes	(579,888)	(73,517)	(496,610)	(9,761)
Less: Utility Receipts Tax	(753,680)	(89,308)	(584,136)	(80,236)
Less: Property Taxes	(421,879)	(61,896)	(351,783)	(8,199)
Net Operating Income	<u>115 O&M Without Fuel Costs (P/F A)</u> <u>100 Gross Plant</u> <u>(\$137,740)</u>	<u>\$599,532</u>	<u>(\$1,754,822)</u>	<u>\$1,017,551</u>
Total Rate Base	\$79,341,424	\$11,653,104	\$66,149,065	\$1,539,254
Rate of Return	-0.17%	5.14%	-2.65%	66.11%

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE ONE
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES
PROFORMA A EQUALIZED TAXES**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 6
PAGE 2 OF 5**

<u>NO.</u>	<u>ALLOCATION METHOD</u>	<u>TOTAL</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
Rate Base		\$79,341,424	\$11,653,104	\$66,149,065	\$1,539,254
Allowed Rate of Return		-0.1736%	-0.1736%	-0.1736%	-0.1736%
Allowed Net Operating Income		(\$137,744)	(\$20,231)	(\$114,841)	(\$2,672)
<u>Utility Receipts Taxes</u>					
Net Operating Income		(137,744)	(20,231)	(114,841)	(2,672)
Plus: Operating & Maintenance Expenses		\$18,886,568	\$2,394,397	\$16,174,247	\$317,925
Plus: Fuel Costs		\$30,887,019	\$2,799,654	\$23,832,947	\$4,254,417
Plus: Depreciation and Amortization Expenses		\$2,442,977	\$360,805	\$2,039,126	\$43,046
Plus: Property Taxes		421,879	61,896	351,783	8,199
Plus: Other Taxes		579,888	73,517	496,610	9,761
Total Amount to Calculate Utility Receipts Taxes		\$53,080,586	\$5,670,038	\$42,779,872	\$4,630,677
Utility Receipts Tax Factor (Tax Rate/(1-Tax Rate))		1.4199%	1.4199%	1.4199%	1.4199%
Utility Receipts Taxes		\$753,680	\$80,508	\$607,422	\$65,750
<u>Derivation of Proforma A Equalized Revenues</u>					
Net Operating Income		(137,744)	(20,231)	(114,841)	(2,672)
Plus: Operating & Maintenance Expenses		\$18,886,568	\$2,394,397	\$16,174,247	\$317,925
Plus: Fuel Costs		30,887,019	2,799,654	23,832,947	4,254,417
Plus: Depreciation and Amortization Expenses		\$2,442,977	\$360,805	\$2,039,126	\$43,046
Plus: Gross Income Taxes		753,680	80,508	607,422	65,750
Plus: Property Taxes		421,879	61,896	351,783	8,199
Plus: Other Taxes		579,888	73,517	496,610	9,761
Proforma A Equalized Revenues w/Misc. Rev.		\$53,834,266	\$5,750,545	\$43,387,294	\$4,696,427

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE ONE
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES
PROFORMA B EQUALIZED TAXES**

DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 6
PAGE 3 OF 5

	<u>NO.</u>	<u>ALLOCATION METHOD</u>	<u>TOTAL</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
Rate Base			\$79,341,424	\$11,653,104	\$66,149,065	\$1,539,254
Allowed Rate of Return			8.2198%	8.2198%	8.2198%	8.2198%
Allowed Net Operating Income			<u>\$6,521,688</u>	<u>\$957,859</u>	<u>\$5,437,306</u>	<u>\$126,523</u>

Utility Receipts Tax

Net Operating Income			6,521,688	957,859	5,437,306	126,523
Plus: Operating & Maintenance Expenses			\$18,886,568	\$2,394,397	\$16,174,247	\$317,925
Plus: Fuel Costs			\$30,887,019	\$2,799,654	\$23,832,947	\$4,254,417
Plus: Depreciation and Amortization Expenses			\$2,442,977	\$360,805	\$2,039,126	\$43,046
Plus: Property Taxes			421,879	61,896	351,783	8,199
Plus: Other Taxes			579,888	73,517	496,610	9,761
Total Amount to Calculate Utility Receipts Tax			\$59,740,018	\$6,648,128	\$48,332,018	\$4,759,873
Utility Receipts Tax Factor (Tax Rate/(1-Tax Rate))			1.4199%	1.4199%	1.4199%	1.4199%
Utility Receipts Taxes			<u>\$848,236</u>	<u>\$94,395</u>	<u>\$686,256</u>	<u>\$67,584</u>

DERIVATION OF PROFORMA B EQUALIZED REVENUES

Net Operating Income			6,521,688	957,859	5,437,306	126,523
Plus: Operating & Maintenance Expenses			\$18,886,568	\$2,394,397	\$16,174,247	\$317,925
Plus: Fuel Costs			30,887,019	2,799,654	23,832,947	4,254,417
Plus: Depreciation and Amortization Expenses			\$2,442,977	\$360,805	\$2,039,126	\$43,046
Plus: Utility Receipts Taxes			848,236	94,395	686,256	67,584
Plus: Property Taxes			421,879	61,896	351,783	8,199
Plus Other Taxes			579,888	73,517	496,610	9,761
Proforma B Equalized Revenues w/Misc. Rev.			<u>\$60,588,254</u>	<u>\$6,742,523</u>	<u>\$49,018,274</u>	<u>\$4,827,457</u>

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE ONE
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES
PROFORMA B NORMALIZED TAXES**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 6
PAGE 4 OF 5**

<u>NO.</u>	<u>ALLOCATION METHOD</u>	<u>TOTAL</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
<u>SUBSIDY REDUCTION</u>					
	Proforma A Normalized Revenues w/Misc. Rev.	\$53,834,271	\$6,379,108	\$41,724,027	\$5,731,136
	Less: Proforma A Equalized Revenues w/Misc. Rev.	53,834,266	5,750,545	43,387,294	4,696,427
	Proforma A Subsidy	\$4	\$628,562	(\$1,663,267)	\$1,034,709
	Proposed Subsidy Reduction Percentage		25.00%	17.33%	12.66%
<hr/>					
	Proforma B Subsidy	\$4	\$471,422	(\$1,375,099)	\$903,679
	Proforma B Equalized Revenues w/Misc. Rev.	\$60,588,254	\$6,742,523	\$49,018,274	\$4,827,457
	Proforma B Normalized Revenues w/Misc. Rev.	\$60,588,258	\$7,213,945	\$47,643,175	\$5,731,136
<hr/>					
<u>TAX CALCULATIONS</u>					
<u>Utility Receipts Taxes</u>					
	Total Proforma B Normal Revenues	\$60,588,258	\$7,213,945	\$47,643,175	\$5,731,136
	Utility Receipts Tax Rate	1.40%	1.40%	1.40%	1.40%
	Utility Receipts Taxes	\$848,236	\$100,995	\$667,004	\$80,236
<hr/>					
<u>Net Operating Income</u>					
	Total Proforma B Normal Revenues w/Misc. Rev.	\$60,588,258	\$7,213,945	\$47,643,175	\$5,731,136
	Less: Operation and Maintenance Expenses	(18,886,568)	(2,394,397)	(16,174,247)	(317,925)
	Less: Fuel Costs	(30,887,019)	(2,799,654)	(23,832,947)	(4,254,417)
	Less: Depreciation Expense	(2,442,977)	(360,805)	(2,039,126)	(43,046)
	Less: Other Taxes	(579,888)	(73,517)	(496,610)	(9,761)
	Less: Utility Receipts Taxes	(848,236)	(100,995)	(667,004)	(80,236)
	Less: Property Taxes	(421,879)	(61,896)	(351,783)	(8,199)
	Net Operating Income	\$6,521,692	\$1,422,681	\$4,081,458	\$1,017,551
<hr/>					
	Total Rate Base	\$79,341,424	\$11,653,104	\$66,149,065	\$1,539,254
	Rate of Return	8.22%	12.21%	6.17%	66.11%

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE ONE
SUMMARY OF PROFORMA REVENUES**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 6
PAGE 5 OF 5**

Proforma A Normalized Revenues

Proforma A Normalized Revenues w/o Misc. Rev.
Proforma A Normalized Miscellaneous Revenues
Total Proforma A Normalized Revenues w/Misc. Rev.

<u>NO.</u>	<u>ALLOCATION METHOD</u>	<u>TOTAL</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
		\$36,347,948	\$4,307,061	\$28,171,326	\$3,869,562
		17,486,322	2,072,047	13,552,701	1,861,574
		<u>\$53,834,271</u>	<u>\$6,379,108</u>	<u>\$41,724,027</u>	<u>\$5,731,136</u>

Proforma A Equalized Revenues

Proforma A Equalized Revenues w/o Misc. Rev.
Proforma A Equalized Miscellaneous Revenues
Total Proforma A Equalized Revenues w/Misc. Rev.

		\$36,347,944	\$3,678,498	\$29,834,593	\$2,834,853
		17,486,322	2,072,047	13,552,701	1,861,574
		<u>\$53,834,266</u>	<u>\$5,750,545</u>	<u>\$43,387,294</u>	<u>\$4,696,427</u>

Proforma B Equalized Revenues

Proforma B Equalized Revenues w/o Misc. Rev.
Proforma B Equalized Miscellaneous Revenues
Total Proforma B Equalized Revenues w/Misc. Rev.

		\$43,101,932	\$4,670,476	\$35,465,573	\$2,965,883
		17,486,322	2,072,047	13,552,701	1,861,574
		<u>\$60,588,254</u>	<u>\$6,742,523</u>	<u>\$49,018,274</u>	<u>\$4,827,457</u>

Proforma B Normalized Revenues

Proforma B Normalized Revenues w/o Misc. Rev.
Proforma B Normalized Miscellaneous Revenues
Total Proforma B Normalized Revenues w/Misc. Rev.

		\$43,101,936	\$5,141,898	\$34,090,474	\$3,869,562
		17,486,322	2,072,047	13,552,701	1,861,574
		<u>\$60,588,258</u>	<u>\$7,213,945</u>	<u>\$47,643,175</u>	<u>\$5,731,136</u>

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE ONE
EQUALIZED COST OF SERVICE AT PRESENT RATES**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 7
PAGE 2 OF 4**

	<u>TOTAL</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
<u>OPERATING REVENUES:</u>				
Revenue from Fuel Sales	\$36,347,944	\$3,678,498	\$29,834,593	\$2,834,853
Miscellaneous Revenues	17,486,322	2,072,047	13,552,701	1,861,574
Total Operating Revenues	<u>\$53,834,266</u>	<u>\$5,750,545</u>	<u>\$43,387,294</u>	<u>\$4,696,427</u>
 <u>OPERATING EXPENSES</u>				
FAC Fuel	\$14,066,595	\$1,047,450	\$10,826,009	\$2,193,137
Line Loss Fuel	\$5,471,906	\$407,458	\$4,211,318	\$853,130
Special Contract Fuel	\$11,348,517	\$1,344,746	\$8,795,621	\$1,208,150
Plant Operation & Maintenance Expense	\$8,348,167	\$922,510	\$7,332,972	\$92,686
Distribution Operation & Maintenance Expense	\$2,533,396	\$274,437	\$2,168,322	\$90,637
Customer Ops/Metering Expenses	\$323,818	\$223,646	\$94,870	\$5,301
Administrative and General	\$7,681,187	\$973,804	\$6,578,083	\$129,300
Total Depreciation and Amortization Expense	\$2,442,977	360,805	2,039,126	43,046
Other Taxes	579,888	73,517	496,610	9,761
Property Taxes	421,879	61,896	351,783	8,199
Utility Receipts Taxes	753,680	80,508	607,422	65,750
Total Operating Expenses	<u>\$53,972,010</u>	<u>\$5,770,776</u>	<u>\$43,502,135</u>	<u>\$4,699,099</u>
Net Operating Income	<u>(\$137,744)</u>	<u>(\$20,231)</u>	<u>(\$114,841)</u>	<u>(\$2,672)</u>
Total Rate Base	\$79,341,424	\$11,653,104	\$66,149,065	\$1,539,254
Rate of Return	<u>-0.17%</u>	<u>-0.17%</u>	<u>-0.17%</u>	<u>-0.17%</u>

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE ONE
NORMALIZED COST OF SERVICE AT PRESENT RATES**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 7
PAGE 1 OF 4**

	<u>TOTAL</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
<u>OPERATING REVENUES:</u>				
Revenue from Fuel Sales	\$36,347,948	\$4,307,061	\$28,171,326	\$3,869,562
Miscellaneous Revenues	<u>17,486,322</u>	<u>2,072,047</u>	<u>13,552,701</u>	<u>1,861,574</u>
Total Operating Revenues	<u>\$53,834,271</u>	<u>\$6,379,108</u>	<u>\$41,724,027</u>	<u>\$5,731,136</u>
<u>OPERATING EXPENSES</u>				
FAC Fuel	\$14,066,595	\$1,047,450	\$10,826,009	\$2,193,137
Line Loss Fuel	\$5,471,906	\$407,458	\$4,211,318	\$853,130
Special Contract Fuel	\$11,348,517	\$1,344,746	\$8,795,621	\$1,208,150
Plant Operation & Maintenance Expense	\$8,348,167	\$922,510	\$7,332,972	\$92,686
Distribution Operation & Maintenance Expense	\$2,533,396	\$274,437	\$2,168,322	\$90,637
Customer Ops/Metering Expenses	\$323,818	\$223,646	\$94,870	\$5,301
Administrative and General	\$7,681,187	\$973,804	\$6,578,083	\$129,300
Total Depreciation and Amortization Expense	\$2,442,977	360,805	2,039,126	43,046
Other Taxes	\$579,888	\$73,517	\$496,610	\$9,761
Property Taxes	\$421,879	\$61,896	\$351,783	\$8,199
Utility Receipts Taxes	\$753,680	\$89,308	\$584,136	\$80,236
Total Operating Expenses	<u>\$53,972,010</u>	<u>\$5,779,576</u>	<u>\$43,478,849</u>	<u>\$4,713,585</u>
Net Operating Income	<u>(\$137,740)</u>	<u>\$599,532</u>	<u>(\$1,754,822)</u>	<u>\$1,017,551</u>
Total Rate Base	\$79,341,424	\$11,653,104	\$66,149,065	\$1,539,254
Rate of Return	<u>-0.17%</u>	<u>5.14%</u>	<u>-2.65%</u>	<u>66.11%</u>

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE ONE
STATEMENT OF OPERATING INCOME BASED UPON PROFORMA A REVENUES
AT PRESENT RATES OF RETURN**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 8**

<u>Line No.</u>	<u>Description</u> (Column A)	<u>Total</u> (B)	<u>Rate 1</u> (C)	<u>Rate 2</u> (D)	<u>Rate 3</u> (D)
<u>Operating Revenues</u>					
(1)	Revenues From Steam Sales	\$36,347,948	\$4,307,061	\$28,171,326	\$3,869,562
(2)	Miscellaneous Revenues	<u>\$17,486,322</u>	<u>\$2,072,047</u>	<u>\$13,552,701</u>	<u>\$1,861,574</u>
(3)	Total	<u>\$53,834,271</u>	<u>\$6,379,108</u>	<u>\$41,724,027</u>	<u>\$5,731,136</u>
<u>Operating Expenses</u>					
(4)	Fuel	\$30,887,019	\$2,799,654	\$23,832,947	\$4,254,417
(5)	Operation and Maintenance	18,886,568	2,394,397	16,174,247	317,925
(6)	Depreciation and Amortization	2,442,977	360,805	2,039,126	43,046
(7)	Taxes Other Than Income Taxes	<u>1,755,447</u>	<u>224,721</u>	<u>1,432,529</u>	<u>98,197</u>
(8)	Total	<u>\$53,972,010</u>	<u>\$5,779,576</u>	<u>\$43,478,849</u>	<u>\$4,713,585</u>
(9)	Net Operating Income	<u>(\$137,740)</u>	<u>\$599,532</u>	<u>(\$1,754,822)</u>	<u>\$1,017,551</u>
(10)	Original Cost Rate Base	<u>\$79,341,424</u>	<u>\$11,653,104</u>	<u>\$66,149,065</u>	<u>\$1,539,254</u>
(11)	Rate of Return on Rate Base	-0.17%	5.15%	-2.65%	66.11%
(12)	Earnings Index	100%	-2957%	1525%	-37993%

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE ONE
STATEMENT OF OPERATING INCOME BASED UPON PROFORMA A REVENUES
AT EQUALIZED RATES OF RETURN**

DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 9

<u>Line No.</u>	<u>Description</u> (Column A)	<u>Total</u> (B)	<u>Rate 1</u> (C)	<u>Rate 2</u> (D)	<u>Rate 3</u> (D)
<u>Operating Revenues</u>					
(1)	Revenues From Steam Sales	\$36,347,944	\$3,678,498	\$29,834,593	\$2,834,853
(2)	Miscellaneous Revenues	<u>\$17,486,322</u>	<u>\$2,072,047</u>	<u>\$13,552,701</u>	<u>\$1,861,574</u>
(3)	Total	<u>\$53,834,266</u>	<u>\$5,750,545</u>	<u>\$43,387,294</u>	<u>\$4,696,427</u>
<u>Operating Expenses</u>					
(4)	Fuel	\$30,887,019	\$2,799,654	\$23,832,947	\$4,254,417
(5)	Operation and Maintenance	18,886,568	\$2,394,397	\$16,174,247	\$317,925
(6)	Depreciation and Amortization	2,442,977	360,805	2,039,126	43,046
(7)	Taxes Other Than Income Taxes	<u>1,755,447</u>	<u>215,921</u>	<u>1,455,815</u>	<u>83,711</u>
(8)	Total	<u>\$53,972,010</u>	<u>\$5,770,776</u>	<u>\$43,502,135</u>	<u>\$4,699,099</u>
(9)	Net Operating Income	<u>(\$137,744)</u>	<u>(\$20,231)</u>	<u>(\$114,841)</u>	<u>(\$2,672)</u>
(10)	Original Cost Rate Base	<u>\$79,341,424</u>	<u>\$11,653,104</u>	<u>\$66,149,065</u>	<u>\$1,539,254</u>
(11)	Rate of Return on Rate Base	-0.17%	-0.17%	-0.17%	-0.17%
(12)	Earnings Index	100%	100%	100%	100%

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE ONE
STATEMENT OF OPERATING INCOME BASED UPON PROFORMA B REVENUES
AT EQUALIZED RATES OF RETURN**

DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 10

<u>Line No.</u>	<u>Description</u> (Column A)	<u>Total</u> (B)	<u>Rate 1</u> (C)	<u>Rate 2</u> (D)	<u>Rate 3</u> (D)
<u>Operating Revenues</u>					
(1)	Revenues From Steam Sales	\$43,101,932	\$4,670,476	\$35,465,573	\$2,965,883
(2)	Miscellaneous Revenues	<u>\$17,486,322</u>	<u>\$2,072,047</u>	<u>\$13,552,701</u>	<u>\$1,861,574</u>
(3)	Total	<u>\$60,588,254</u>	<u>\$6,742,523</u>	<u>\$49,018,274</u>	<u>\$4,827,457</u>
<u>Operating Expenses</u>					
(4)	Fuel	\$30,887,019	\$2,799,654	\$23,832,947	\$4,254,417
(5)	Operation and Maintenance	18,886,568	2,394,397	16,174,247	317,925
(6)	Depreciation and Amortization	2,442,977	360,805	2,039,126	43,046
(7)	Taxes Other Than Income Taxes	<u>1,850,003</u>	<u>229,809</u>	<u>1,534,649</u>	<u>85,545</u>
(8)	Total	<u>\$54,066,566</u>	<u>\$5,784,664</u>	<u>\$43,580,968</u>	<u>\$4,700,934</u>
(9)	Net Operating Income	<u>\$6,521,688</u>	<u>\$957,859</u>	<u>\$5,437,306</u>	<u>\$126,523</u>
(10)	Original Cost Rate Base	<u>\$79,341,424</u>	<u>\$11,653,104</u>	<u>\$66,149,065</u>	<u>\$1,539,254</u>
(11)	Rate of Return on Rate Base	8.22%	8.22%	8.22%	8.22%
(12)	Earnings Index	100%	100%	100%	100%

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE ONE
STATEMENT OF OPERATING INCOME BASED UPON PROFORMA B REVENUES
AT PROPOSED RATES OF RETURN**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 11**

<u>Line No.</u>	<u>Description</u> (Column A)	<u>Total</u> (B)	<u>Rate 1</u> (C)	<u>Rate 2</u> (D)	<u>Rate 3</u> (D)
<u>Operating Revenues</u>					
(1)	Revenues From Steam Sales	\$43,101,936	\$5,141,898	\$34,090,474	\$3,869,562
(2)	Miscellaneous Revenues	<u>\$17,486,322</u>	<u>\$2,072,047</u>	<u>\$13,552,701</u>	<u>\$1,861,574</u>
(3)	Total	<u>\$60,588,258</u>	<u>\$7,213,945</u>	<u>\$47,643,175</u>	<u>\$5,731,136</u>
<u>Operating Expenses</u>					
(4)	Fuel	\$30,887,019	\$2,799,654	\$23,832,947	\$4,254,417
(5)	Operation and Maintenance	18,886,568	2,394,397	16,174,247	317,925
(6)	Depreciation and Amortization	2,442,977	360,805	2,039,126	43,046
(7)	Taxes Other Than Income Taxes	<u>1,850,003</u>	<u>236,409</u>	<u>1,515,397</u>	<u>98,197</u>
(8)	Total	<u>\$54,066,566</u>	<u>\$5,791,264</u>	<u>\$43,561,717</u>	<u>\$4,713,585</u>
(9)	Net Operating Income	<u>\$6,521,692</u>	<u>\$1,422,681</u>	<u>\$4,081,458</u>	<u>\$1,017,551</u>
(10)	Original Cost Rate Base	<u>\$79,341,424</u>	<u>\$11,653,104</u>	<u>\$66,149,065</u>	<u>\$1,539,254</u>
(11)	Rate of Return on Rate Base	8.22%	12.21%	6.17%	66.11%
(12)	Earnings Index	100%	149%	75%	804%

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE ONE
COMPARISON OF PROFORMA OPERATING REVENUES AND RESULTING DOLLAR SUBSIDY
LEVELS AT PRESENT AND PROPOSED RATES**

DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 12

<u>Line No.</u>	<u>Rate Schedule</u> (A)	<u>PROFORMA REVENUES - PRESENT RATES</u>			<u>PROFORMA REVENUES - PROPOSED RATES</u>				
		<u>Revenues At Present Rates</u> (B)	<u>Revenues Required For Equalized Returns</u> (C)	<u>Present Subsidy</u> (D)	<u>Revenues Required For Equalized Returns</u> (E)	<u>Revenues At Proposed Rates</u> (F)	<u>Proposed Subsidy</u> (G)	<u>Subsidy Reduction</u>	
								<u>Amount</u> (H)	<u>Percentage</u> (I)
(1)	Rate 1	\$6,379,108	\$5,750,545	\$628,562	\$6,742,523	\$7,213,945	\$471,422	\$157,141	25.00%
(2)	Rate 2	\$41,724,027	\$43,387,294	(\$1,663,267)	\$49,018,274	\$47,643,175	(\$1,375,099)	(\$288,168)	17.33%
(3)	Rate 3	\$5,731,136	\$4,696,427	\$1,034,709	\$4,827,457	\$5,731,136	\$903,679	\$131,030	12.66%
(4)	Total	\$53,834,271	\$53,834,266	\$4	\$60,588,254	\$60,588,256	\$2	\$2	

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE ONE
COMPARISON OF STEAM SALES REVENUES AT PRESENT AND PROPOSED RATES**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 13**

STEAM SALES REVENUES

<u>Line No.</u>	<u>Rate Schedule (A)</u>	<u>Revenues At Present Rates (B)</u>	<u>Revenues At Proposed Rates (C)</u>	<u>Increase or (Decrease)</u>	
				<u>Amount (D)</u>	<u>Percentage (E)</u>
(1)	Rate 1	\$4,307,061	\$5,141,898	\$834,837	19.38%
(2)	Rate 2	\$28,171,326	\$34,090,474	\$5,919,148	21.01%
(3)	Rate 3	\$3,869,562	\$3,869,562	\$0	0.00%
(4)	Total	\$36,347,948	\$43,101,934	\$6,753,985	18.58%

CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE ONE
COMPARISON OF REVENUES AT PRESENT AND PROPOSED RATES

DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 14

DESCRIPTION	Number of Bills	Billing Quantities (therms)	Present Rates (\$/therm)	Proforma A FAC (\$/therm)	Effective Present Rates (\$/therm)	Revenue at Present Rates	Proposed Margin Rates (\$/therm)	Proforma B FAC (\$/therm)	Proposed Effective Rates (\$/therm)	Revenue at Proposed Rates	Increase in Revenues Amount	Increase in Revenues Percent
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
<u>RATE 1 - GENERAL STEAM SERVICE</u>												
1-1000 Sq. Ft. EDR	180		\$32.00		\$32.00	\$5,760	\$38.00		\$38.00	\$6,840	\$1,080	18.75%
1001-10,000 Sq. Ft. EDR	1,304		\$80.00		\$80.00	\$104,320	\$95.00		\$95.00	\$123,880	\$19,560	18.75%
10,001-20,000 Sq. Ft. EDR	445		\$160.00		\$160.00	\$71,200	\$190.00		\$190.00	\$84,550	\$13,350	18.75%
Over 20,000 Sq. Ft. EDR	96		\$320.00		\$320.00	\$30,720	\$380.00		\$380.00	\$36,480	\$5,760	18.75%
Block 1		1,042,651	\$1.1600	\$0.2283	\$1.3883	\$1,447,552	\$1.2141	\$0.4453	\$1.6594	\$1,730,183	\$282,631	19.52%
Block 2		1,597,139	\$0.9900	\$0.2283	\$1.2183	\$1,945,855	\$1.0098	\$0.4453	\$1.4551	\$2,324,010	\$378,155	19.43%
Block 3		627,408	\$0.8900	\$0.2283	\$1.1183	\$701,654	\$0.8871	\$0.4453	\$1.3324	\$835,963	\$134,309	19.14%
Total Therms and Revenues	2,025	3,267,198				\$4,307,061				\$5,141,906	\$834,845	19.38%
<u>RATE 2 - DEMAND RATE SERVICE</u>												
Service Charge	859		\$0.00		\$0.00	\$0	\$0.00		\$0.00	\$0	\$0	N/A
Demand Charge	91,518		\$104.39		\$104.39	\$9,553,536	\$127.00		\$127.00	\$11,622,752	\$2,069,216	21.66%
Energy Charge		33,768,403	\$0.3230	\$0.2283	\$0.5513	\$18,617,790	\$0.2200	\$0.4453	\$0.6653	\$22,466,375	\$3,848,585	20.67%
Total Therms and Revenues	92,377	33,768,403				\$28,171,326				\$34,089,127	\$5,917,801	21.01%
<u>RATE 3 - ADDITIONAL SUMMER SERVICE</u>												
Service Charge-Provision A (Covanta)	12		\$ -		\$0.00	\$0			\$0.00	\$0	\$0	N/A
Service Charge-Provision B (CTE)	36		\$ -		\$0.0000	\$0			\$0.0000	\$0	\$0	N/A
Energy Charge (Covanta)-Provision A		8,639,946	\$ 0.1500	\$0.1168	\$0.2668	\$2,305,484	\$0.0668	\$0.2000	\$0.2668	\$2,305,484	\$0	0.00%
Energy Charge (CTE)-Provision B		2,960,374	\$ 0.3000	\$0.2283	\$0.5283	\$1,564,078	\$0.0830	\$0.4453	\$0.5283	\$1,564,078	\$0	0.00%
Total Therms and Revenues	48	11,600,320				\$3,869,562				\$3,869,562	\$0	0.00%
TOTAL THERMS AND REVENUE	94,450	48,635,921				\$36,347,949				\$43,100,595	\$6,752,646	18.58%
MISCELLANEOUS REVENUES						17,486,322				17,486,322		
TOTAL REVENUES						\$53,834,271				\$60,586,917	\$6,752,646	12.54%

Citizens Gas & Coke Utility
2020 North Meridian Street
Indianapolis, Indiana 46202

First Revised Page No. 101
Superceding Original Page No. 101

RATE 1
GENERAL STEAM SERVICE

AVAILABILITY:

Available for space heating and other general service to customers located adjacent to the Utility's existing steam distribution mains. Not available for customers having an EDR (Equivalent Direct Radiation) of more than 30,000 square feet.

This service will be supplied on a year-round basis.

RATE:

The sum of the Customer Charge and the Energy Charge.

Customer Charge

0-1000 Sq. Ft. EDR	\$38.00/Month
1001-10000	95.00
10001-20000	190.00
20001-30000	380.00

Energy Charge

Any part of the first 1000 Therms	\$1.2141 per Therm
Any part of the next 4000 Therms	1.0098 per Therm
Over 5000 Therms	0.8871 per Therm

MINIMUM BILL PER MONTH:

The minimum bill will be the customer charge. Seasonal customers will receive bills during all months of the year even when no energy charge is due.

CONTRACT RIDERS APPLICABLE:

No. 1 - See Page 201.

PAYMENT:

The above rates and charges are net. If the net bill is not paid within seventeen days after its date of issue, a collection charge will be added in the amount of ten percent of the first three dollars, plus three percent of the excess of three dollars.

**Citizens Gas & Coke Utility
2020 North Meridian Street
Indianapolis, Indiana 46202**

**First Revised Page No. 101-B
Superceding Original Page No. 101-B**

CONTRACT TERM:

Contracts, except special contracts, shall be for an initial term of three years and shall continue in effect thereafter for successive terms of one year each unless written notice of intention to terminate is given by either party to the other at least sixty days before the end of any term. Special contracts shall be for such term as may be agreed upon by the parties, subject to approval of the Indiana Utility Regulatory Commission.

Citizens Gas & Coke Utility
2020 North Meridian Street
Indianapolis, Indiana 46202

First Revised Page No. 102
Superceding Original Page No. 102

RATE 2
DEMAND RATE SERVICE

AVAILABILITY:

Available to all steam customers located adjacent to the steam mains of the Utility, providing they contract for a minimum Billing Demand of 50 Therms per hour in the Month of maximum usage during the year, and providing billing will be continuous throughout all twelve Months of the year.

RATE:

The sum of the Demand Charge and the Energy Charge.

Demand Charge

\$127.00 per Therm per Hour

Energy Charge

\$ 0.2200 per Therm

BILLING DEMAND:

The Billing Demand shall be the maximum average Demand for a thirty-minute period, measured in Therms per hour, during the Month for which the bill is rendered, but in no case shall the Billing Demand be less than seventy-five per cent of the maximum thirty-minute Demand during the preceding eleven Months.

Where the character of the load is such that the steam demands fluctuate violently between maximum and minimum so that determination of an average thirty (30) minute Demand is impractical, then the Billing Demand will be based upon the average of the three highest peaks during the thirty (30) minute period.

MINIMUM MONTHLY BILL:

The minimum Monthly charge shall be the demand charge and, in no case, less than \$4,762.50 per Month.

CONTRACT RIDERS APPLICABLE:

No. 1 - See Page 201.

Current base rates effective pursuant
to I.U.R.C. Order in Cause No. 43201

Effective:

**Citizens Gas & Coke Utility
2020 North Meridian Street
Indianapolis, Indiana 46202**

**First Revised Page No. 102-B
Superceding Original Page No. 102-B**

PAYMENT:

The above rates and charges are net. If the net bill is not paid within seventeen days after its date of issue, a collection charge will be added in the amount of ten percent of the first three dollars plus three percent of the excess of three dollars.

CONTRACT TERM:

Contracts shall be for an initial term of not less than three years and shall continue in effect thereafter for successive like terms. The Utility may require a special contract when unusual construction or equipment expense is necessary to furnish the service subject to approval of the Indiana Utility Regulatory Commission.

Citizens Gas & Coke Utility
2020 North Meridian Street
Indianapolis, Indiana 46202

First Revised Page No. 103
Superceding Original Page No. 103

**RATE 3
ADDITIONAL SUMMER SERVICE**

AVAILABILITY:

Available to all steam customers for steam chilling and similar warm weather applications during the Months of April through October and on any day during the Months of November through March, when the mean temperature of the preceding day was 40°F. or higher as measured by the National Weather Office at the Indianapolis International Airport, unless the Utility notifies the customer that such Additional Summer Steam is not available. Customer agrees to contract for a minimum of 50 Therms per hour average usage for at least four Months of Additional Summer Steam during the Months of April through October, and provided further that the Utility will not furnish added capacity in services or mains at its expense under this rate.

In the event that the availability of Additional Summer Steam from the Resource Recovery Facility is not sufficient to supply all customers served under this rate under Provision A during any period, each customer will be provided up to the contract maximum hourly usage, in order of contract date, up to the amount of steam available during that period with this steam service billed under Provision B.

RATE:

Provision A:

Steam provided under this rate when available from the Resource Recovery Facility will be the sum of the following rate plus an adjustment for the actual cost of Resource Recovery Facility steam as provided for in the service contract.

ENERGY CHARGE

\$.0668 per therm

Provision B:

Steam provided under this rate when not available from the Resource Recovery Facility will be:

ENERGY CHARGE

\$.0830 per therm

**Current base rates effective pursuant
to I.U.R.C. Order in Cause No. 43201**

Effective:

Citizens Gas & Coke Utility
2020 North Meridian Street
Indianapolis, Indiana 46202

First Revised Page No. 103-B
Superceding Original Page No. 103-B

BILLING DEMAND:

No Billing Demand will be charged under this rate whether the steam is supplied under provision A or provision B above.

MINIMUM BILL PER MONTH:

The minimum Monthly charge shall be \$20.00 during the Months of April through October.

CONTRACT RIDERS APPLICABLE:

No. 1 - See Page 201 (Under Provision B Only).

CONTRACT:

Contracts shall be for an initial term of not less than three years and shall continue in effect for successive like terms. The contract shall specify the anticipated maximum hourly usage provided that the amount specified in the contract shall be adjusted after one year to reflect actual maximum usage. The Utility shall require a special contract in the event any added capacity is required specifying the method of payment for such capacity. Existing contracts shall continue in effect.

Citizens Gas & Coke Utility
2020 North Meridian Street
Indianapolis, Indiana 46202

Eighth Revised Page No. 201
Superseding Seventh Revised Page No. 201

**STANDARD CONTRACT RIDER NO. 1
FUEL COST ADJUSTMENT
(Applicable to Rate 1 and Rate 2)**

A fuel cost adjustment shall be made in accordance with the following provisions:

- A. The fuel cost adjustment per therm shall be calculated by multiplying the Therms billed by an Adjustment Factor established according to the following formula:

$$\text{Adjustment Factor} = \frac{F}{S}$$

where:

1. "F" is the estimated expense of fuel based on a one year average cost beginning with the Month of June, xxxx, and consisting of the following costs:
 - (a) the average cost of fuel burned for the production of steam in the Utility's plants, including only those items listed in Account 151;
 - (b) the average cost of purchases from the Indianapolis Resource Recovery Project (Covanta) of displaced net steam to mains.
 2. "S" is the estimated applicable sales in Therms for the same estimated period set forth in "F".
- B. The Adjustment Factor as computed above shall be further modified to allow the recovery of gross receipts, taxes and other similar revenue based tax charges occasioned by the fuel adjustment revenues.
- C. The Adjustment Factor shall be further modified to reflect the difference between incremental fuel cost billed and the incremental fuel cost actually experienced during the one year period ending with the Month of January, xxxx.
- D. The Adjustment Factor to be effective with meter readings of June 1, xxxx, for all General Service and Demand Rate Accounts will be \$0.xxxxx per Therm.

Current base rates effective pursuant
to I.U.R.C. Order in Cause No. 43201

Effective:

CITIZENS THERMAL ENERGY
 Dollar Impact of Cause No. 43201 on Typical General Steam Service Customer
 In Comparison to Current Rates in Effect

CURRENT RATES

Therms	Facilities Charge	First 1000	Next 4000	Over 5000	Proforma A FAC	Current Bill w/ Fuel
50	\$160.00	\$1.1600	\$0.9900	\$0.8900	\$0.22830	229.42
100	160.00	1.1600	0.9900	0.8900	\$0.22830	298.83
200	160.00	1.1600	0.9900	0.8900	\$0.22830	437.66
300	160.00	1.1600	0.9900	0.8900	\$0.22830	576.49
400	160.00	1.1600	0.9900	0.8900	\$0.22830	715.32
500	160.00	1.1600	0.9900	0.8900	\$0.22830	854.15
600	160.00	1.1600	0.9900	0.8900	\$0.22830	992.98
700	160.00	1.1600	0.9900	0.8900	\$0.22830	1,131.81
800	160.00	1.1600	0.9900	0.8900	\$0.22830	1,270.64
900	160.00	1.1600	0.9900	0.8900	\$0.22830	1,409.47
1,000	160.00	1.1600	0.9900	0.8900	\$0.22830	1,548.30
2,000	160.00	1.1600	0.9900	0.8900	\$0.22830	2,766.60
4,000	160.00	1.1600	0.9900	0.8900	\$0.22830	5,203.20
6,000	160.00	1.1600	0.9900	0.8900	\$0.22830	7,539.80
8,000	160.00	1.1600	0.9900	0.8900	\$0.22830	9,776.40
10,000	160.00	1.1600	0.9900	0.8900	\$0.22830	12,013.00
12,000	160.00	1.1600	0.9900	0.8900	\$0.22830	14,249.60
14,000	160.00	1.1600	0.9900	0.8900	\$0.22830	16,486.20
16,000	160.00	1.1600	0.9900	0.8900	\$0.22830	18,722.80
18,000	160.00	1.1600	0.9900	0.8900	\$0.22830	20,959.40
20,000	160.00	1.1600	0.9900	0.8900	\$0.22830	23,196.00

PROPOSED RATES

Therms	Facilities Charge	First 1000	Next 4000	Over 5000	Proforma B FAC	Proposed Bill w/ Fuel	\$ Diff. Current vs Proposed	% Diff. Current vs Proposed
50	\$190.00	\$1.2141	\$1.0098	\$0.8871	\$0.44530	272.97	43.55	15.95%
100	190.00	1.2141	1.0098	0.8871	\$0.44530	355.94	57.11	16.04%
200	190.00	1.2141	1.0098	0.8871	\$0.44530	521.88	84.22	16.14%
300	190.00	1.2141	1.0098	0.8871	\$0.44530	687.82	111.33	16.19%
400	190.00	1.2141	1.0098	0.8871	\$0.44530	853.76	138.44	16.22%
500	190.00	1.2141	1.0098	0.8871	\$0.44530	1,019.70	165.55	16.24%
600	190.00	1.2141	1.0098	0.8871	\$0.44530	1,185.64	192.66	16.25%
700	190.00	1.2141	1.0098	0.8871	\$0.44530	1,351.58	219.77	16.26%
800	190.00	1.2141	1.0098	0.8871	\$0.44530	1,517.52	246.88	16.27%
900	190.00	1.2141	1.0098	0.8871	\$0.44530	1,683.46	273.99	16.28%
1,000	190.00	1.2141	1.0098	0.8871	\$0.44530	1,849.40	301.10	16.28%
2,000	190.00	1.2141	1.0098	0.8871	\$0.44530	3,304.50	537.90	16.28%
4,000	190.00	1.2141	1.0098	0.8871	\$0.44530	6,214.70	1,011.50	16.28%
6,000	190.00	1.2141	1.0098	0.8871	\$0.44530	9,002.20	1,462.40	16.24%
8,000	190.00	1.2141	1.0098	0.8871	\$0.44530	11,667.00	1,890.60	16.20%
10,000	190.00	1.2141	1.0098	0.8871	\$0.44530	14,331.80	2,318.80	16.18%
12,000	190.00	1.2141	1.0098	0.8871	\$0.44530	16,996.60	2,747.00	16.16%
14,000	190.00	1.2141	1.0098	0.8871	\$0.44530	19,661.40	3,175.20	16.15%
16,000	190.00	1.2141	1.0098	0.8871	\$0.44530	22,326.20	3,603.40	16.14%
18,000	190.00	1.2141	1.0098	0.8871	\$0.44530	24,991.00	4,031.60	16.13%
20,000	190.00	1.2141	1.0098	0.8871	\$0.44530	27,655.80	4,459.80	16.13%

CITIZENS GAS & COKE UTILITY
 Dollar Impact of Cause No. 43201 on Typical Demand Rate Steam Service
 In Comparison to Current Rates in Effect

CURRENT RATES

Therms	Load Factor 25% Demand Amount	Energy Charge	Demand Charge	Proforma A FAC	Current Bill w/ FAC
1,000	5.48	\$0.3230	\$104.39	\$0.2283	\$1,123.30
2,000	10.96	0.3230	\$104.39	\$0.2283	\$2,246.60
4,000	21.92	0.3230	\$104.39	\$0.2283	\$4,493.20
6,000	32.88	0.3230	\$104.39	\$0.2283	\$6,739.80
8,000	43.84	0.3230	\$104.39	\$0.2283	\$8,986.40
10,000	54.79	0.3230	\$104.39	\$0.2283	\$11,233.00
15,000	82.19	0.3230	\$104.39	\$0.2283	\$16,849.50
20,000	109.59	0.3230	\$104.39	\$0.2283	\$22,466.00
25,000	136.99	0.3230	\$104.39	\$0.2283	\$28,082.50
30,000	164.38	0.3230	\$104.39	\$0.2283	\$33,699.00
35,000	191.78	0.3230	\$104.39	\$0.2283	\$39,315.50
40,000	219.18	0.3230	\$104.39	\$0.2283	\$44,932.00
45,000	246.58	0.3230	\$104.39	\$0.2283	\$50,548.50
50,000	273.97	0.3230	\$104.39	\$0.2283	\$56,165.00
60,000	328.77	0.3230	\$104.39	\$0.2283	\$67,398.00
70,000	383.56	0.3230	\$104.39	\$0.2283	\$78,631.00
80,000	438.36	0.3230	\$104.39	\$0.2283	\$89,864.00
90,000	493.15	0.3230	\$104.39	\$0.2283	\$101,097.00
100,000	547.95	0.3230	\$104.39	\$0.2283	\$112,330.00
200,000	1,095.89	0.3230	\$104.39	\$0.2283	\$224,660.00
300,000	1,643.84	0.3230	\$104.39	\$0.2283	\$336,990.00
400,000	2,191.78	0.3230	\$104.39	\$0.2283	\$449,320.00
500,000	2,739.73	0.3230	\$104.39	\$0.2283	\$561,650.00
600,000	3,287.67	0.3230	\$104.39	\$0.2283	\$673,980.00
700,000	3,835.62	0.3230	\$104.39	\$0.2283	\$786,310.00
800,000	4,383.56	0.3230	\$104.39	\$0.2283	\$898,640.00

PROPOSED RATES

Therms	Load Factor 25% Demand Amount	Energy Charge	Demand Charge	Proforma B FAC	Proposed Bill w/ Fuel	\$ Diff. Current vs Proposed	% Diff. Current vs Proposed
1,000	5.48	\$0.2200	\$127.00	\$0.4453	\$1,361.19	\$237.89	21.18%
2,000	10.96	0.2200	\$127.00	\$0.4453	\$2,722.38	\$475.78	21.18%
4,000	21.92	0.2200	\$127.00	\$0.4453	\$5,444.76	\$951.56	21.18%
6,000	32.88	0.2200	\$127.00	\$0.4453	\$8,167.14	\$1,427.34	21.18%
8,000	43.84	0.2200	\$127.00	\$0.4453	\$10,889.52	\$1,903.12	21.18%
10,000	54.79	0.2200	\$127.00	\$0.4453	\$13,611.90	\$2,378.90	21.18%
15,000	82.19	0.2200	\$127.00	\$0.4453	\$20,417.86	\$3,568.36	21.18%
20,000	109.59	0.2200	\$127.00	\$0.4453	\$27,223.81	\$4,757.81	21.18%
25,000	136.99	0.2200	\$127.00	\$0.4453	\$34,029.76	\$5,947.26	21.18%
30,000	164.38	0.2200	\$127.00	\$0.4453	\$40,835.71	\$7,136.71	21.18%
35,000	191.78	0.2200	\$127.00	\$0.4453	\$47,641.66	\$8,326.16	21.18%
40,000	219.18	0.2200	\$127.00	\$0.4453	\$54,447.62	\$9,515.62	21.18%
45,000	246.58	0.2200	\$127.00	\$0.4453	\$61,253.57	\$10,705.07	21.18%
50,000	273.97	0.2200	\$127.00	\$0.4453	\$68,059.52	\$11,894.52	21.18%
60,000	328.77	0.2200	\$127.00	\$0.4453	\$81,671.42	\$14,273.42	21.18%
70,000	383.56	0.2200	\$127.00	\$0.4453	\$95,283.33	\$16,652.33	21.18%
80,000	438.36	0.2200	\$127.00	\$0.4453	\$108,895.23	\$19,031.23	21.18%
90,000	493.15	0.2200	\$127.00	\$0.4453	\$122,507.14	\$21,410.14	21.18%
100,000	547.95	0.2200	\$127.00	\$0.4453	\$136,119.04	\$23,789.04	21.18%
200,000	1,095.89	0.2200	\$127.00	\$0.4453	\$272,238.08	\$47,578.08	21.18%
300,000	1,643.84	0.2200	\$127.00	\$0.4453	\$408,357.12	\$71,367.12	21.18%
400,000	2,191.78	0.2200	\$127.00	\$0.4453	\$544,476.16	\$95,156.16	21.18%
500,000	2,739.73	0.2200	\$127.00	\$0.4453	\$680,595.21	\$118,945.21	21.18%
600,000	3,287.67	0.2200	\$127.00	\$0.4453	\$816,714.25	\$142,734.25	21.18%
700,000	3,835.62	0.2200	\$127.00	\$0.4453	\$952,833.29	\$166,523.29	21.18%
800,000	4,383.56	0.2200	\$127.00	\$0.4453	\$1,088,952.33	\$190,312.33	21.18%

CITIZENS GAS & COKE UTILITY
 Dollar Impact of Cause No. 43201 on Typical Demand Rate Steam Service
 In Comparison to Current Rates in Effect

CURRENT RATES

Therms	Load Factor 50% Demand Amount	Energy Charge	Demand Charge	Proforma A FAC	Current Bill w/ FAC
1,000	2.74	\$0.3230	\$104.39	\$0.2283	\$837.30
2,000	5.48	0.3230	\$104.39	\$0.2283	\$1,674.60
4,000	10.96	0.3230	\$104.39	\$0.2283	\$3,349.20
6,000	16.44	0.3230	\$104.39	\$0.2283	\$5,023.80
8,000	21.92	0.3230	\$104.39	\$0.2283	\$6,698.40
10,000	27.40	0.3230	\$104.39	\$0.2283	\$8,373.00
15,000	41.10	0.3230	\$104.39	\$0.2283	\$12,559.50
20,000	54.79	0.3230	\$104.39	\$0.2283	\$16,746.00
25,000	68.49	0.3230	\$104.39	\$0.2283	\$20,932.50
30,000	82.19	0.3230	\$104.39	\$0.2283	\$25,119.00
35,000	95.89	0.3230	\$104.39	\$0.2283	\$29,305.50
40,000	109.59	0.3230	\$104.39	\$0.2283	\$33,492.00
45,000	123.29	0.3230	\$104.39	\$0.2283	\$37,678.50
50,000	136.99	0.3230	\$104.39	\$0.2283	\$41,865.00
60,000	164.38	0.3230	\$104.39	\$0.2283	\$50,238.00
70,000	191.78	0.3230	\$104.39	\$0.2283	\$58,611.00
80,000	219.18	0.3230	\$104.39	\$0.2283	\$66,984.00
90,000	246.58	0.3230	\$104.39	\$0.2283	\$75,357.00
100,000	273.97	0.3230	\$104.39	\$0.2283	\$83,730.00
200,000	547.95	0.3230	\$104.39	\$0.2283	\$167,460.00
300,000	821.92	0.3230	\$104.39	\$0.2283	\$251,190.00
400,000	1,095.89	0.3230	\$104.39	\$0.2283	\$334,920.00
500,000	1,369.86	0.3230	\$104.39	\$0.2283	\$418,650.00
600,000	1,643.84	0.3230	\$104.39	\$0.2283	\$502,380.00
700,000	1,917.81	0.3230	\$104.39	\$0.2283	\$586,110.00
800,000	2,191.78	0.3230	\$104.39	\$0.2283	\$669,840.00

PROPOSED RATES

Therms	Load Factor 50% Demand Amount	Energy Charge	Demand Charge	Proforma B FAC	Proposed Bill w/ Fuel	\$ Diff. Current vs Proposed	% Diff. Current vs Proposed
1,000	2.74	\$0.2200	\$127.00	\$0.4453	\$1,013.25	\$175.95	21.01%
2,000	5.48	0.2200	\$127.00	\$0.4453	\$2,026.49	\$351.89	21.01%
4,000	10.96	0.2200	\$127.00	\$0.4453	\$4,052.98	\$703.78	21.01%
6,000	16.44	0.2200	\$127.00	\$0.4453	\$6,079.47	\$1,055.67	21.01%
8,000	21.92	0.2200	\$127.00	\$0.4453	\$8,105.96	\$1,407.56	21.01%
10,000	27.40	0.2200	\$127.00	\$0.4453	\$10,132.45	\$1,759.45	21.01%
15,000	41.10	0.2200	\$127.00	\$0.4453	\$15,198.68	\$2,639.18	21.01%
20,000	54.79	0.2200	\$127.00	\$0.4453	\$20,264.90	\$3,518.90	21.01%
25,000	68.49	0.2200	\$127.00	\$0.4453	\$25,331.13	\$4,398.63	21.01%
30,000	82.19	0.2200	\$127.00	\$0.4453	\$30,397.36	\$5,278.36	21.01%
35,000	95.89	0.2200	\$127.00	\$0.4453	\$35,463.58	\$6,158.08	21.01%
40,000	109.59	0.2200	\$127.00	\$0.4453	\$40,529.81	\$7,037.81	21.01%
45,000	123.29	0.2200	\$127.00	\$0.4453	\$45,596.03	\$7,917.53	21.01%
50,000	136.99	0.2200	\$127.00	\$0.4453	\$50,662.26	\$8,797.26	21.01%
60,000	164.38	0.2200	\$127.00	\$0.4453	\$60,794.71	\$10,556.71	21.01%
70,000	191.78	0.2200	\$127.00	\$0.4453	\$70,927.16	\$12,316.16	21.01%
80,000	219.18	0.2200	\$127.00	\$0.4453	\$81,059.62	\$14,075.62	21.01%
90,000	246.58	0.2200	\$127.00	\$0.4453	\$91,192.07	\$15,835.07	21.01%
100,000	273.97	0.2200	\$127.00	\$0.4453	\$101,324.52	\$17,594.52	21.01%
200,000	547.95	0.2200	\$127.00	\$0.4453	\$202,649.04	\$35,189.04	21.01%
300,000	821.92	0.2200	\$127.00	\$0.4453	\$303,973.56	\$52,783.56	21.01%
400,000	1,095.89	0.2200	\$127.00	\$0.4453	\$405,298.08	\$70,378.08	21.01%
500,000	1,369.86	0.2200	\$127.00	\$0.4453	\$506,622.60	\$87,972.60	21.01%
600,000	1,643.84	0.2200	\$127.00	\$0.4453	\$607,947.12	\$105,567.12	21.01%
700,000	1,917.81	0.2200	\$127.00	\$0.4453	\$709,271.64	\$123,161.64	21.01%
800,000	2,191.78	0.2200	\$127.00	\$0.4453	\$810,596.16	\$140,756.16	21.01%

CITIZENS GAS & COKE UTILITY
 Dollar Impact of Cause No. 43201 on Typical Demand Rate Steam Service
 In Comparison to Current Rates in Effect

CURRENT RATES

Therms	Load Factor 75% Demand Amount	Energy Charge	Demand Charge	Proforma A FAC	Current Bill w/ FAC
1,000	1.83	\$0.3230	\$104.39	\$0.2283	\$741.97
2,000	3.65	0.3230	\$104.39	\$0.2283	\$1,483.93
4,000	7.31	0.3230	\$104.39	\$0.2283	\$2,967.87
6,000	10.96	0.3230	\$104.39	\$0.2283	\$4,451.80
8,000	14.61	0.3230	\$104.39	\$0.2283	\$5,935.73
10,000	18.26	0.3230	\$104.39	\$0.2283	\$7,419.67
15,000	27.40	0.3230	\$104.39	\$0.2283	\$11,129.50
20,000	36.53	0.3230	\$104.39	\$0.2283	\$14,839.33
25,000	45.66	0.3230	\$104.39	\$0.2283	\$18,549.17
30,000	54.79	0.3230	\$104.39	\$0.2283	\$22,259.00
35,000	63.93	0.3230	\$104.39	\$0.2283	\$25,968.83
40,000	73.06	0.3230	\$104.39	\$0.2283	\$29,678.67
45,000	82.19	0.3230	\$104.39	\$0.2283	\$33,388.50
50,000	91.32	0.3230	\$104.39	\$0.2283	\$37,098.33
60,000	109.59	0.3230	\$104.39	\$0.2283	\$44,518.00
70,000	127.85	0.3230	\$104.39	\$0.2283	\$51,937.67
80,000	146.12	0.3230	\$104.39	\$0.2283	\$59,357.33
90,000	164.38	0.3230	\$104.39	\$0.2283	\$66,777.00
100,000	182.65	0.3230	\$104.39	\$0.2283	\$74,196.67
200,000	365.30	0.3230	\$104.39	\$0.2283	\$148,393.33
300,000	547.95	0.3230	\$104.39	\$0.2283	\$222,590.00
400,000	730.59	0.3230	\$104.39	\$0.2283	\$296,786.67
500,000	913.24	0.3230	\$104.39	\$0.2283	\$370,983.33
600,000	1,095.89	0.3230	\$104.39	\$0.2283	\$445,180.00
700,000	1,278.54	0.3230	\$104.39	\$0.2283	\$519,376.67
800,000	1,461.19	0.3230	\$104.39	\$0.2283	\$593,573.33

PROPOSED RATES

Therms	Load Factor 75% Demand Amount	Energy Charge	Demand Charge	Proforma B FAC	Proposed Bill w/ Fuel	\$ Diff. Current vs Proposed	% Diff. Current vs Proposed
1,000	1.83	\$0.2200	\$127.00	\$0.4453	\$897.26	\$155.29	20.93%
2,000	3.65	0.2200	\$127.00	\$0.4453	\$1,794.53	\$310.60	20.93%
4,000	7.31	0.2200	\$127.00	\$0.4453	\$3,589.05	\$621.18	20.93%
6,000	10.96	0.2200	\$127.00	\$0.4453	\$5,383.58	\$931.78	20.93%
8,000	14.61	0.2200	\$127.00	\$0.4453	\$7,178.11	\$1,242.38	20.93%
10,000	18.26	0.2200	\$127.00	\$0.4453	\$8,972.63	\$1,552.96	20.93%
15,000	27.40	0.2200	\$127.00	\$0.4453	\$13,458.95	\$2,329.45	20.93%
20,000	36.53	0.2200	\$127.00	\$0.4453	\$17,945.27	\$3,105.94	20.93%
25,000	45.66	0.2200	\$127.00	\$0.4453	\$22,431.59	\$3,882.42	20.93%
30,000	54.79	0.2200	\$127.00	\$0.4453	\$26,917.90	\$4,658.90	20.93%
35,000	63.93	0.2200	\$127.00	\$0.4453	\$31,404.22	\$5,435.39	20.93%
40,000	73.06	0.2200	\$127.00	\$0.4453	\$35,890.54	\$6,211.87	20.93%
45,000	82.19	0.2200	\$127.00	\$0.4453	\$40,376.86	\$6,988.36	20.93%
50,000	91.32	0.2200	\$127.00	\$0.4453	\$44,863.17	\$7,764.84	20.93%
60,000	109.59	0.2200	\$127.00	\$0.4453	\$53,835.81	\$9,317.81	20.93%
70,000	127.85	0.2200	\$127.00	\$0.4453	\$62,808.44	\$10,870.77	20.93%
80,000	146.12	0.2200	\$127.00	\$0.4453	\$71,781.08	\$12,423.75	20.93%
90,000	164.38	0.2200	\$127.00	\$0.4453	\$80,753.71	\$13,976.71	20.93%
100,000	182.65	0.2200	\$127.00	\$0.4453	\$89,726.35	\$15,529.68	20.93%
200,000	365.30	0.2200	\$127.00	\$0.4453	\$179,452.69	\$31,059.36	20.93%
300,000	547.95	0.2200	\$127.00	\$0.4453	\$269,179.04	\$46,589.04	20.93%
400,000	730.59	0.2200	\$127.00	\$0.4453	\$358,905.39	\$62,118.72	20.93%
500,000	913.24	0.2200	\$127.00	\$0.4453	\$448,631.74	\$77,648.41	20.93%
600,000	1,095.89	0.2200	\$127.00	\$0.4453	\$538,358.08	\$93,178.08	20.93%
700,000	1,278.54	0.2200	\$127.00	\$0.4453	\$628,084.43	\$108,707.76	20.93%
800,000	1,461.19	0.2200	\$127.00	\$0.4453	\$717,810.78	\$124,237.45	20.93%

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
SCHEDULE OF ALLOCATION FACTORS**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 1
PAGE 1 OF 2**

<u>NO.</u>	<u>ALLOCATORS</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>	<u>Total</u>
<u>Input Allocators</u>					
2	Annual Sales	3,267,198 6.7177%	33,768,403 69.4310%	11,600,320 23.8513%	48,635,921 100.0000%
3	Number of Bills	2,025 69.0655%	859 29.2974%	48 1.6371%	2,932 100.0000%
5	5 CP Demand Rates 1 and 2	33,192 11.5590%	253,963 88.4410%	0 0.0000%	287,155 100.0000%
6	P/F A Normal Rev. w/o Misc. Rev.	\$5,142,066 11.9300%	\$34,090,186 79.0920%	\$3,869,682 8.9780%	\$43,101,934 100.0000%
11	Direct to Rate 3A	0 0.0000%	0 0.0000%	1 100.0000%	1 100.0000%
13	Annual Sales to Rates 1, 2 & 3B	3,267,198 8.1688%	33,768,403 84.4295%	2,960,374 7.4017%	39,995,975 100.0000%
24	Production Plant	1,974,999 11.0504%	15,699,146 87.8393%	198,431 1.1103%	17,872,575 100.0000%
<u>Internally-Generated Allocators</u>					
100	Gross Plant	\$7,238,432 14.6716%	\$41,139,042 83.3849%	\$958,871 1.9435%	\$49,336,345 100.0000%
101	Net Plant	\$6,386,706 14.6882%	\$36,251,803 83.3720%	\$843,483 1.9398%	\$43,481,992 100.0000%

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
SCHEDULE OF ALLOCATION FACTORS**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 1
PAGE 2 OF 2**

<u>NO.</u>	<u>ALLOCATORS</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>	<u>TOTAL</u>
<u>Internally-Generated Allocators (cont.)</u>					
103	Distribution Mains	\$1,024,786 10.8328%	\$8,096,817 85.5895%	\$338,453 3.5777%	\$9,460,056 100.0000%
109	Distribution Plant	\$1,024,980 10.8328%	\$8,098,351 85.5895%	\$338,517 3.5777%	\$9,461,848 100.0000%
104	Subtotal Fuel (P/F A)	\$1,047,450 7.4464%	\$10,826,009 76.9625%	\$2,193,137 15.5911%	\$14,066,595 100.0000%
105	Subtotal Fuel (P/F B)	\$1,061,443 7.4551%	\$10,970,634 77.0524%	\$2,205,816 15.4926%	\$14,237,893 100.0000%
106	Production Plant	\$1,974,999 11.0504%	\$15,699,146 87.8393%	\$198,431 1.1103%	\$17,872,575 100.0000%
110	Subtotal Gross Plant	\$4,282,937 14.6716%	\$24,341,724 83.3849%	\$567,358 1.9435%	\$29,192,019 100.0000%
115	O&M Without Fuel Costs (P/F A)	\$1,420,593 12.6778%	\$9,596,164 85.6389%	\$188,624 1.6833%	\$11,205,381 100.0000%
117	O&M Without Fuel Costs (P/F B)	\$2,685,052 12.4788%	\$18,484,645 85.9079%	\$347,127 1.6133%	\$21,516,824 100.0000%

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
ALLOCATION OF RATE BASE**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 2
PAGE 1 OF 3**

	<u>No.</u>	<u>Allocation Method</u>	<u>Total</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
<u>GROSS PLANT</u>						
(1)		Total Steam Production Plant				
(2)	5	5 CP Demand Rates 1 and 2	\$15,191,689	\$1,756,002	\$13,435,687	\$0
(3)	13	Annual Sales to Rates 1, 2 & 3B	\$2,680,886	\$218,997	\$2,263,459	\$198,431
(4)		Total Distribution Plant				
(5)		Mains				
(6)	2	Annual Sales	\$1,419,008	\$95,324	\$985,232	\$338,453
(7)	5	5 CP Demand Rates 1 and 2	\$8,041,047	\$929,462	\$7,111,585	\$0
(8)	103	Distribution Mains	\$1,792	\$194	\$1,534	\$64
(9)	3	Number of Bills	\$1,322,997	\$913,734	\$387,604	\$21,659
(10)	3	Number of Bills	\$534,599	\$369,223	\$156,624	\$8,752
(11)	110	Subtotal Gross Plant	\$20,144,326	\$2,955,495	\$16,797,318	\$391,513
(12)		Total Gross Plant	\$49,336,345	\$7,238,432	\$41,139,042	\$958,871

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
ALLOCATION OF RATE BASE**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 2
PAGE 2 OF 3**

	<u>No.</u>	<u>Allocation Method</u>	<u>Total</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>		
<u>DEPRECIATION RESERVE</u>								
(1)		Total Steam Production Depr. Reserve	106	Production Plant	\$1,975,186	\$218,267	\$1,734,990	\$21,930
(2)		Total Distribution Plant Depreciation Reserve						
(3)		Mains	103	Distribution Mains	\$1,142,466	\$123,761	\$977,832	\$40,874
(4)		Land and Land Rights	103	Distribution Mains	\$332	\$36	\$284	\$12
(5)		Services	3	Number of Bills	\$130,798	\$90,336	\$38,320	\$2,141
(6)		Meters	3	Number of Bills	\$68,110	\$47,040	\$19,954	\$1,115
(7)		General and Intangible Plant Depreciation Reserve	110	Subtotal Gross Plant	\$2,537,462	\$372,286	\$2,115,859	\$49,317
(8)		Total Depreciation Reserve			\$5,854,353	\$851,726	\$4,887,239	\$115,388

CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
ALLOCATION OF RATE BASE

DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 2
PAGE 3 OF 3

	<u>No.</u>	<u>Allocation Method</u>	<u>Total</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
<u>OTHER RATE BASE COMPONENTS</u>						
(1)	100	Gross Plant	\$4,191,781	\$615,001	\$3,495,311	\$81,469
(2)	101	Net Plant	\$31,667,651	\$4,651,397	\$26,401,952	\$614,303
(3)		Total Other Rate Base Components	<u>\$35,859,432</u>	<u>\$5,266,398</u>	<u>\$29,897,262</u>	<u>\$695,772</u>
(4)		Total Rate Base	<u>\$79,341,424</u>	<u>\$11,653,104</u>	<u>\$66,149,065</u>	<u>\$1,539,254</u>

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
ALLOCATION OF DEPRECIATION AND AMORTIZATION EXPENSE**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 3
PAGE 1 OF 1**

	<u>No.</u>	<u>Allocation Method</u>	<u>Total</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>		
<u>DEPRECIATION AND AMORTIZATION EXPENSES</u>								
(1)		Total Steam Production Plant	106	Production Plant	\$1,110,078	\$122,669	\$975,085	\$12,325
(2)		Total Distribution						
(3)		Mains	103	Distribution Mains	\$313,508	\$33,962	\$268,330	\$11,216
(4)		Land and Land Rights	103	Distribution Mains	\$49	\$5	\$42	\$2
(5)		Services	3	Number of Bills	\$79,344	\$54,799	\$23,246	\$1,299
(6)		Meters	3	Number of Bills	\$21,063	\$14,547	\$6,171	\$345
(7)		General and Intangible Plant	110	Subtotal Gross Plant	\$731,782	\$107,364	\$610,196	\$14,222
(8)		Amortization of Leasehold Improvements	110	Subtotal Gross Plant	\$187,152	\$27,458	\$156,056	\$3,637
(9)		Total Depreciation and Amortization Expense			<u>\$2,442,977</u>	<u>\$360,805</u>	<u>\$2,039,126</u>	<u>\$43,046</u>

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
ALLOCATION OF OPERATION AND MAINTENANCE EXPENSE
PROFORMA A (PRESENT REVENUE LEVELS)**

DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 4
PAGE 1 OF 2

	<u>No.</u>	<u>Allocation Method</u>	<u>Total</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
<u>FUEL COSTS</u>						
(1)	13	Annual Sales to Rates 1, 2 & 3B	\$7,883,375	\$643,978	\$6,655,894	\$583,502
(2)	13	Annual Sales to Rates 1, 2 & 3B	\$4,939,167	\$403,472	\$4,170,115	\$365,581
(3)	11	Direct to Rate 3A	\$1,244,053	\$0	\$0	\$1,244,053
(4)	104	Subtotal Fuel (P/F A)	\$5,471,906	\$407,458	\$4,211,318	\$853,130
(5)		Proforma Cost of Fuel (Excl. Spec. Contract Fuel)	\$19,538,502	\$1,454,908	\$15,037,326	\$3,046,267
(6)	6	P/F A Normal Rev. w/o Misc. Rev.	\$11,348,517	\$1,353,879	\$8,975,770	\$1,018,867
(7)		Total Fuel	\$30,887,019	\$2,808,788	\$24,013,097	\$4,065,134
<u>OPERATING EXPENSES</u>						
(8)	24	Production Plant	\$8,348,167	\$922,510	\$7,332,972	\$92,686
(9)	109	Distribution Plant	\$2,533,396	\$274,437	\$2,168,322	\$90,637
(10)	3	Number of Bills	\$323,818	\$223,646	\$94,870	\$5,301
(11)	115	O&M Without Fuel Costs (P/F A)	\$7,681,187	\$973,804	\$6,578,083	\$129,300
(12)		Total Proforma A Operating Costs	\$18,886,568	\$2,394,397	\$16,174,247	\$317,925

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
ALLOCATION OF OPERATION AND MAINTENANCE EXPENSE
PROFORMA B (PROPOSED REVENUE LEVELS)**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 4
PAGE 2 OF 2**

	<u>NO.</u>	<u>Allocation Method</u>	<u>Total</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
<u>FUEL COSTS</u>						
(1) Cost of Boiler Fuel	13	Annual Sales to Rates 1, 2 & 3B	\$7,883,375	\$643,978	\$6,655,894	\$583,502
(2) Cost of Purchases	13	Annual Sales to Rates 1, 2 & 3B	\$5,110,464	\$417,464	\$4,314,740	\$378,260
(3) Cost of Purchased Steam-Summer	11	Direct to Rate 3A	\$1,244,053	\$0	\$0	\$1,244,053
(4) Line Loss Fuel	105	Subtotal Fuel (P/F B)	\$5,538,540	\$412,901	\$4,267,576	\$858,062
(5) Total Proforma Cost of Fuel			<u>\$19,776,432</u>	<u>\$1,474,344</u>	<u>\$15,238,210</u>	<u>\$3,063,878</u>
(6) Special Contract Fuel	6	P/F A Normal Rev. w/o Misc. Rev.	\$11,500,123	\$1,371,966	\$9,095,679	\$1,032,479
(7) Total Fuel			<u>\$31,276,556</u>	<u>\$2,846,310</u>	<u>\$24,333,889</u>	<u>\$4,096,356</u>
<u>OPERATING EXPENSES</u>						
(8) Plant Operation & Maintenance Expense	24	Production Plant	\$10,978,423	\$1,213,165	\$9,643,370	\$121,888
(9) Distribution Operation & Maintenance Expense	109	Distribution Plant	\$2,533,396	\$274,437	\$2,168,322	\$90,637
(10) Customer Ops/Metering Expenses	3	Number of Bills	\$323,818	\$223,646	\$94,870	\$5,301
(11) Administrative and General	115	O&M Without Fuel Costs (P/F A)	\$7,681,187	\$973,804	\$6,578,083	\$129,300
(12) Total Proforma B Operating Costs			<u>\$21,516,824</u>	<u>\$2,685,052</u>	<u>\$18,484,645</u>	<u>\$347,127</u>

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
ALLOCATION OF MISCELLANEOUS REVENUE CREDITS**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 5
PAGE 1 OF 1**

		<u>Allocation Method</u>	<u>Total</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
<u>MISCELLANEOUS REVENUE CREDITS</u>						
(1)	Special Contract-Margin	6 P/F A Normal Rev. w/o Misc. Rev.	\$6,170,859	\$736,184	\$4,880,657	\$554,018
(2)	Special Contract-Fuel	6 P/F A Normal Rev. w/o Misc. Rev.	\$11,348,517	\$1,353,879	\$8,975,770	\$1,018,867
(3)	Misc. Revenue Credits	6 P/F A Normal Rev. w/o Misc. Rev.	(\$33,054)	(\$3,943)	(\$26,143)	(\$2,968)
(4)	Total Miscellaneous Revenue Credits		<u>\$17,486,322</u>	<u>\$2,086,120</u>	<u>\$13,830,284</u>	<u>\$1,569,918</u>

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES
PROFORMA A NORMALIZED TAXES**

DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 6
PAGE 1 OF 5

<u>No.</u> <u>ALLOCATION METHOD</u>	<u>Total</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
Proforma A Normalized Revenues. w/o Misc. Rev.	\$43,101,934	\$5,142,066	\$34,090,186	\$3,869,682
Proforma A Normalized Miscellaneous Revenues	17,486,322	2,086,120	13,830,284	1,569,918
Proforma A Normalized Rev. w/Misc. Revenues	<u>\$60,588,256</u>	<u>\$7,228,186</u>	<u>\$47,920,469</u>	<u>\$5,439,600</u>
 <u>Indiana Utility Receipts Taxes</u>				
Total Proforma A Normalized Revenues w/ Misc. Rev.	\$60,588,256	\$7,228,186	\$47,920,469	\$5,439,600
Utility Receipts Tax Rate	1.40%	1.40%	1.40%	1.40%
Utility Receipts Tax	<u>\$848,236</u>	<u>\$101,195</u>	<u>\$670,887</u>	<u>\$76,154</u>
 <u>Net Operating Income</u>				
Total Proforma A Normalized Margins	\$60,588,256	\$7,228,186	\$47,920,469	\$5,439,600
Less: Operation and Maintenance Expenses	(18,886,568)	(2,394,397)	(16,174,247)	(317,925)
Less: Fuel Costs	(30,887,019)	(2,808,788)	(24,013,097)	(4,065,134)
Less: Depreciation	(2,442,977)	(360,805)	(2,039,126)	(43,046)
Less: Other Taxes	(579,888)	(73,517)	(496,610)	(9,761)
Less: Utility Receipts Tax	(848,236)	(101,195)	(670,887)	(76,154)
Less: Property Taxes	(421,879)	(61,896)	(351,783)	(8,199)
Net Operating Income	<u>\$6,521,690</u>	<u>\$1,427,590</u>	<u>\$4,174,721</u>	<u>\$919,380</u>
 Total Rate Base				
Total Rate Base	\$79,341,424	\$11,653,104	\$66,149,065	\$1,539,254
Rate of Return	8.22%	12.25%	6.31%	59.73%

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES
PROFORMA A EQUALIZED TAXES**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 6
PAGE 2 OF 5**

<u>NO.</u>	<u>ALLOCATION METHOD</u>	<u>TOTAL</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
Rate Base		\$79,341,424	\$11,653,104	\$66,149,065	\$1,539,254
Allowed Rate of Return		8.2198%	8.2198%	8.2198%	8.2198%
Allowed Net Operating Income		<u>\$6,521,688</u>	<u>\$957,859</u>	<u>\$5,437,306</u>	<u>\$126,523</u>
<u>Utility Receipts Taxes</u>					
Net Operating Income		6,521,688	957,859	5,437,306	126,523
Plus: Operating & Maintenance Expenses		\$18,886,568	\$2,394,397	\$16,174,247	\$317,925
Plus: Fuel Costs		\$30,887,019	\$2,808,788	\$24,013,097	\$4,065,134
Plus: Depreciation and Amortization Expenses		\$2,442,977	\$360,805	\$2,039,126	\$43,046
Plus: Property Taxes		421,879	61,896	351,783	8,199
Plus: Other Taxes		579,888	73,517	496,610	9,761
Total Amount to Calculate Utility Receipts Taxes		\$59,740,018	\$6,657,261	\$48,512,168	\$4,570,589
Utility Receipts Tax Factor (Tax Rate/(1-Tax Rate))		1.4199%	1.4199%	1.4199%	1.4199%
Utility Receipts Taxes		<u>\$848,236</u>	<u>\$94,525</u>	<u>\$688,814</u>	<u>\$64,897</u>
<u>Derivation of Proforma A Equalized Revenues</u>					
Net Operating Income		6,521,688	957,859	5,437,306	126,523
Plus: Operating & Maintenance Expenses		\$18,886,568	\$2,394,397	\$16,174,247	\$317,925
Plus: Fuel Costs		30,887,019	2,808,788	24,013,097	4,065,134
Plus: Depreciation and Amortization Expenses		\$2,442,977	\$360,805	\$2,039,126	\$43,046
Plus: Gross Income Taxes		848,236	94,525	688,814	64,897
Plus: Property Taxes		421,879	61,896	351,783	8,199
Plus: Other Taxes		579,888	73,517	496,610	9,761
Proforma A Equalized Revenues w/Misc. Rev.		<u>\$60,588,254</u>	<u>\$6,751,786</u>	<u>\$49,200,981</u>	<u>\$4,635,486</u>

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES
PROFORMA B EQUALIZED TAXES**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 6
PAGE 3 OF 5**

	<u>NO.</u>	<u>ALLOCATION METHOD</u>	<u>TOTAL</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
Rate Base			\$79,341,424	\$11,653,104	\$66,149,065	\$1,539,254
Allowed Rate of Return			8.2198%	8.2198%	8.2198%	8.2198%
Allowed Net Operating Income			<u>\$6,521,688</u>	<u>\$957,859</u>	<u>\$5,437,306</u>	<u>\$126,523</u>
<u>Utility Receipts Tax</u>						
Net Operating Income			6,521,688	957,859	5,437,306	126,523
Plus: Operating & Maintenance Expenses			\$21,516,824	\$2,685,052	\$18,484,645	\$347,127
Plus: Fuel Costs			\$31,276,556	\$2,846,310	\$24,333,889	\$4,096,356
Plus: Depreciation and Amortization Expenses			\$2,442,977	\$360,805	\$2,039,126	\$43,046
Plus: Property Taxes			421,879	61,896	351,783	8,199
Plus: Other Taxes			579,888	73,517	496,610	9,761
Total Amount to Calculate Utility Receipts Tax			\$62,759,811	\$6,985,439	\$51,143,358	\$4,631,014
Utility Receipts Tax Factor (Tax Rate/(1-Tax Rate))			1.4199%	1.4199%	1.4199%	1.4199%
Utility Receipts Taxes			<u>\$891,113</u>	<u>\$99,185</u>	<u>\$726,173</u>	<u>\$65,755</u>
<u>DERIVATION OF PROFORMA B EQUALIZED REVENUES</u>						
Net Operating Income			6,521,688	957,859	5,437,306	126,523
Plus: Operating & Maintenance Expenses			\$21,516,824	\$2,685,052	\$18,484,645	\$347,127
Plus: Fuel Costs			31,276,556	2,846,310	24,333,889	4,096,356
Plus: Depreciation and Amortization Expenses			\$2,442,977	\$360,805	\$2,039,126	\$43,046
Plus: Utility Receipts Taxes			891,113	99,185	726,173	65,755
Plus: Property Taxes			421,879	61,896	351,783	8,199
Plus Other Taxes			579,888	73,517	496,610	9,761
Proforma B Equalized Revenues w/Misc. Rev.			<u>\$63,650,924</u>	<u>\$7,084,624</u>	<u>\$51,869,532</u>	<u>\$4,696,769</u>

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES
PROFORMA B NORMALIZED TAXES**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 6
PAGE 4 OF 5**

<u>NO.</u>	<u>ALLOCATION METHOD</u>	<u>TOTAL</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
<u>SUBSIDY REDUCTION</u>					
	Proforma A Normalized Revenues w/Misc. Rev.	\$60,588,256	\$7,228,186	\$47,920,469	\$5,439,600
	Less: Proforma A Equalized Revenues w/Misc. Rev.	60,588,254	6,751,786	49,200,981	4,635,486
	Proforma A Subsidy	\$2	\$476,400	(\$1,280,512)	\$804,114
	Proposed Subsidy Reduction Percentage		10.00%	6.05%	3.74%
	Proforma B Subsidy	\$2	\$428,760	(\$1,202,995)	\$774,054
	Proforma B Equalized Revenues w/Misc. Rev.	\$63,650,924	\$7,084,624	\$51,869,532	\$4,696,769
	Proforma B Normalized Revenues w/Misc. Rev.	\$63,650,926	\$7,513,384	\$50,666,537	\$5,470,823
<u>TAX CALCULATIONS</u>					
<u>Utility Receipts Taxes</u>					
	Total Proforma B Normal Revenues	\$63,650,926	\$7,513,384	\$50,666,537	\$5,470,823
	Utility Receipts Tax Rate	1.40%	1.40%	1.40%	1.40%
	Utility Receipts Taxes	\$891,113	\$105,187	\$709,332	\$76,592
<u>Net Operating Income</u>					
	Total Proforma B Normal Revenues w/Misc. Rev.	\$63,650,926	\$7,513,384	\$50,666,537	\$5,470,823
	Less: Operation and Maintenance Expenses	(21,516,824)	(2,685,052)	(18,484,645)	(347,127)
	Less: Fuel Costs	(31,276,556)	(2,846,310)	(24,333,889)	(4,096,356)
	Less: Depreciation Expense	(2,442,977)	(360,805)	(2,039,126)	(43,046)
	Less: Other Taxes	(579,888)	(73,517)	(496,610)	(9,761)
	Less: Utility Receipts Taxes	(891,113)	(105,187)	(709,332)	(76,592)
	Less: Property Taxes	(421,879)	(61,896)	(351,783)	(8,199)
	Net Operating Income	\$6,521,690	\$1,380,616	\$4,251,152	\$889,741
	Total Rate Base	\$79,341,424	\$11,653,104	\$66,149,065	\$1,539,254
	Rate of Return	8.22%	11.85%	6.43%	57.80%

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
SUMMARY OF PROFORMA REVENUES**

DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 6
PAGE 5 OF 5

Proforma A Normalized Revenues

<u>NO.</u>	<u>ALLOCATION METHOD</u>	<u>TOTAL</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
	Proforma A Normalized Revenues w/o Misc. Rev.	\$43,101,934	\$5,142,066	\$34,090,186	\$3,869,682
	Proforma A Normalized Miscellaneous Revenues	17,486,322	2,086,120	13,830,284	1,569,918
	Total Proforma A Normalized Revenues w/Misc. Rev.	<u>\$60,588,256</u>	<u>\$7,228,186</u>	<u>\$47,920,469</u>	<u>\$5,439,600</u>

Proforma A Equalized Revenues

	Proforma A Equalized Revenues w/o Misc. Rev.	\$43,101,932	\$4,665,666	\$35,370,698	\$3,065,568
	Proforma A Equalized Miscellaneous Revenues	17,486,322	2,086,120	13,830,284	1,569,918
	Total Proforma A Equalized Revenues w/Misc. Rev.	<u>\$60,588,254</u>	<u>\$6,751,786</u>	<u>\$49,200,981</u>	<u>\$4,635,486</u>

Proforma B Equalized Revenues

	Proforma B Equalized Revenues w/o Misc. Rev.	\$46,012,996	\$4,980,417	\$37,919,340	\$3,113,239
	Proforma B Equalized Miscellaneous Revenues	17,637,929	2,104,207	13,950,192	1,583,529
	Total Proforma B Equalized Revenues w/Misc. Rev.	<u>\$63,650,924</u>	<u>\$7,084,624</u>	<u>\$51,869,532</u>	<u>\$4,696,769</u>

Proforma B Normalized Revenues

	Proforma B Normalized Revenues w/o Misc. Rev.	\$46,012,998	\$5,409,177	\$36,716,345	\$3,887,294
	Proforma B Normalized Miscellaneous Revenues	17,637,929	2,104,207	13,950,192	1,583,529
	Total Proforma B Normalized Revenues w/Misc. Rev.	<u>\$63,650,926</u>	<u>\$7,513,384</u>	<u>\$50,666,537</u>	<u>\$5,470,823</u>

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
EQUALIZED COST OF SERVICE AT PRESENT RATES**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 7
PAGE 2 OF 4**

	<u>TOTAL</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
<u>OPERATING REVENUES:</u>				
Revenue from Fuel Sales	\$43,101,932	\$4,665,666	\$35,370,698	\$3,065,568
Miscellaneous Revenues	17,486,322	2,086,120	13,830,284	1,569,918
Total Operating Revenues	<u>\$60,588,254</u>	<u>\$6,751,786</u>	<u>\$49,200,981</u>	<u>\$4,635,486</u>
<u>OPERATING EXPENSES</u>				
FAC Fuel	\$14,066,595	\$1,047,450	\$10,826,009	\$2,193,137
Line Loss Fuel	\$5,471,906	\$407,458	\$4,211,318	\$853,130
Special Contract Fuel	\$11,348,517	\$1,353,879	\$8,975,770	\$1,018,867
Plant Operation & Maintenance Expense	\$8,348,167	\$922,510	\$7,332,972	\$92,686
Distribution Operation & Maintenance Expense	\$2,533,396	\$274,437	\$2,168,322	\$90,637
Customer Ops/Metering Expenses	\$323,818	\$223,646	\$94,870	\$5,301
Administrative and General	\$7,681,187	\$973,804	\$6,578,083	\$129,300
Total Depreciation and Amortization Expense	\$2,442,977	360,805	2,039,126	43,046
Other Taxes	579,888	73,517	496,610	9,761
Property Taxes	421,879	61,896	351,783	8,199
Utility Receipts Taxes	848,236	94,525	688,814	64,897
Total Operating Expenses	<u>\$54,066,566</u>	<u>\$5,793,927</u>	<u>\$43,763,676</u>	<u>\$4,508,963</u>
Net Operating Income	<u>\$6,521,688</u>	<u>\$957,859</u>	<u>\$5,437,306</u>	<u>\$126,523</u>
Total Rate Base	\$79,341,424	\$11,653,104	\$66,149,065	\$1,539,254
Rate of Return	<u>8.22%</u>	<u>8.22%</u>	<u>8.22%</u>	<u>8.22%</u>

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
NORMALIZED COST OF SERVICE AT PRESENT RATES**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 7
PAGE 1 OF 4**

	<u>TOTAL</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
<u>OPERATING REVENUES:</u>				
Revenue from Fuel Sales	\$43,101,934	\$5,142,066	\$34,090,186	\$3,869,682
Miscellaneous Revenues	<u>17,486,322</u>	<u>2,086,120</u>	<u>13,830,284</u>	<u>1,569,918</u>
Total Operating Revenues	<u>\$60,588,256</u>	<u>\$7,228,186</u>	<u>\$47,920,469</u>	<u>\$5,439,600</u>
 <u>OPERATING EXPENSES</u>				
FAC Fuel	\$14,066,595	\$1,047,450	\$10,826,009	\$2,193,137
Line Loss Fuel	\$5,471,906	\$407,458	\$4,211,318	\$853,130
Special Contract Fuel	\$11,348,517	\$1,353,879	\$8,975,770	\$1,018,867
Plant Operation & Maintenance Expense	\$8,348,167	\$922,510	\$7,332,972	\$92,686
Distribution Operation & Maintenance Expense	\$2,533,396	\$274,437	\$2,168,322	\$90,637
Customer Ops/Metering Expenses	\$323,818	\$223,646	\$94,870	\$5,301
Administrative and General	\$7,681,187	\$973,804	\$6,578,083	\$129,300
Total Depreciation and Amortization Expense	\$2,442,977	360,805	2,039,126	43,046
Other Taxes	\$579,888	\$73,517	\$496,610	\$9,761
Property Taxes	\$421,879	\$61,896	\$351,783	\$8,199
Utility Receipts Taxes	\$848,236	\$101,195	\$670,887	\$76,154
Total Operating Expenses	<u>\$54,066,566</u>	<u>\$5,800,597</u>	<u>\$43,745,749</u>	<u>\$4,520,221</u>
 Net Operating Income	 <u>\$6,521,690</u>	 <u>\$1,427,590</u>	 <u>\$4,174,721</u>	 <u>\$919,380</u>
 Total Rate Base	 \$79,341,424	 \$11,653,104	 \$66,149,065	 \$1,539,254
 Rate of Return	 <u>8.22%</u>	 <u>12.25%</u>	 <u>6.31%</u>	 <u>59.73%</u>

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
EQUALIZED COST OF SERVICE AT PROPOSED RATES**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 7
PAGE 3 OF 4**

	<u>TOTAL</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
<u>OPERATING REVENUES:</u>				
Revenue from Fuel Sales	\$46,012,996	\$4,980,417	\$37,919,340	\$3,113,239
Miscellaneous Revenues	<u>17,637,929</u>	<u>2,104,207</u>	<u>13,950,192</u>	<u>1,583,529</u>
Total Operating Revenues	<u>\$63,650,924</u>	<u>\$7,084,624</u>	<u>\$51,869,532</u>	<u>\$4,696,769</u>
<u>OPERATING EXPENSES</u>				
FAC Fuel	\$14,237,893	\$1,061,443	\$10,970,634	\$2,205,816
Line Loss Fuel	\$5,538,540	\$412,901	\$4,267,576	\$858,062
Special Contract Fuel	\$11,500,123	\$1,371,966	\$9,095,679	\$1,032,479
Plant Operation & Maintenance Expense	\$10,978,423	\$1,213,165	\$9,643,370	\$121,888
Distribution Operation & Maintenance Expense	\$2,533,396	\$274,437	\$2,168,322	\$90,637
Customer Ops/Metering Expenses	\$323,818	\$223,646	\$94,870	\$5,301
Administrative and General	\$7,681,187	\$973,804	\$6,578,083	\$129,300
Total Depreciation and Amortization Expense	\$2,442,977	\$360,805	\$2,039,126	\$43,046
Other Taxes	579,888	73,517	496,610	9,761
Property Taxes	421,879	61,896	351,783	8,199
Utility Receipts Taxes	891,113	99,185	726,173	65,755
Total Operating Expenses	<u>\$57,129,236</u>	<u>\$6,126,765</u>	<u>\$46,432,226</u>	<u>\$4,570,245</u>
Net Operating Income	<u>\$6,521,688</u>	<u>\$957,859</u>	<u>\$5,437,306</u>	<u>\$126,523</u>
Total Rate Base	\$79,341,424	\$11,653,104	\$66,149,065	\$1,539,254
Rate of Return	<u>8.22%</u>	<u>8.22%</u>	<u>8.22%</u>	<u>8.22%</u>

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
NORMALIZED COST OF SERVICE AT PROPOSED RATES**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 7
PAGE 4 OF 4**

	<u>TOTAL</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>
<u>OPERATING REVENUES:</u>				
Revenue from Fuel Sales	\$46,012,998	\$5,409,177	\$36,716,345	\$3,887,294
Miscellaneous Revenues	<u>17,637,929</u>	<u>2,104,207</u>	<u>13,950,192</u>	<u>1,583,529</u>
Total Operating Revenues	<u>\$63,650,926</u>	<u>\$7,513,384</u>	<u>\$50,666,537</u>	<u>\$5,470,823</u>
<u>OPERATING EXPENSES</u>				
FAC Fuel	\$14,237,893	\$1,061,443	\$10,970,634	\$2,205,816
Line Loss Fuel	\$5,538,540	\$412,901	\$4,267,576	\$858,062
Special Contract Fuel	\$11,500,123	\$1,371,966	\$9,095,679	\$1,032,479
Plant Operation & Maintenance Expense	\$10,978,423	\$1,213,165	\$9,643,370	\$121,888
Distribution Operation & Maintenance Expense	\$2,533,396	\$274,437	\$2,168,322	\$90,637
Customer Ops/Metering Expenses	\$323,818	\$223,646	\$94,870	\$5,301
Administrative and General	\$7,681,187	\$973,804	\$6,578,083	\$129,300
Total Depreciation and Amortization Expense	2,442,977	360,805	2,039,126	43,046
Other Taxes	579,888	73,517	496,610	9,761
Property Taxes	421,879	61,896	351,783	8,199
Utility Receipts Taxes	891,113	105,187	709,332	76,592
Total Operating Expenses	<u>\$57,129,236</u>	<u>\$6,132,767</u>	<u>\$46,415,384</u>	<u>\$4,581,082</u>
Net Operating Income	<u>\$6,521,690</u>	<u>\$1,380,616</u>	<u>\$4,251,152</u>	<u>\$889,741</u>
Total Rate Base	\$79,341,424	\$11,653,104	\$66,149,065	\$1,539,254
Rate of Return	<u>8.22%</u>	<u>11.85%</u>	<u>6.43%</u>	<u>57.80%</u>

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
STATEMENT OF OPERATING INCOME BASED UPON PROFORMA A REVENUES
AT PRESENT RATES OF RETURN**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 8**

<u>Line No.</u>	<u>Description</u> (Column A)	<u>Total</u> (B)	<u>Rate 1</u> (C)	<u>Rate 2</u> (D)	<u>Rate 3</u> (D)
<u>Operating Revenues</u>					
(1)	Revenues From Steam Sales	\$43,101,934	\$5,142,066	\$34,090,186	\$3,869,682
(2)	Miscellaneous Revenues	<u>\$17,486,322</u>	<u>\$2,086,120</u>	<u>\$13,830,284</u>	<u>\$1,569,918</u>
(3)	Total	<u>\$60,588,256</u>	<u>\$7,228,186</u>	<u>\$47,920,469</u>	<u>\$5,439,600</u>
<u>Operating Expenses</u>					
(4)	Fuel	\$30,887,019	\$2,808,788	\$24,013,097	\$4,065,134
(5)	Operation and Maintenance	18,886,568	2,394,397	16,174,247	317,925
(6)	Depreciation and Amortization	2,442,977	360,805	2,039,126	43,046
(7)	Taxes Other Than Income Taxes	<u>1,850,003</u>	<u>236,608</u>	<u>1,519,279</u>	<u>94,115</u>
(8)	Total	<u>\$54,066,566</u>	<u>\$5,800,597</u>	<u>\$43,745,749</u>	<u>\$4,520,221</u>
(9)	Net Operating Income	<u>\$6,521,690</u>	<u>\$1,427,590</u>	<u>\$4,174,721</u>	<u>\$919,380</u>
(10)	Original Cost Rate Base	<u>\$79,341,424</u>	<u>\$11,653,104</u>	<u>\$66,149,065</u>	<u>\$1,539,254</u>
(11)	Rate of Return on Rate Base	8.22%	12.25%	6.31%	59.73%
(12)	Earnings Index	100%	149%	77%	727%

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
STATEMENT OF OPERATING INCOME BASED UPON PROFORMA A REVENUES
AT EQUALIZED RATES OF RETURN**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 9**

<u>Line No.</u>	<u>Description</u> (Column A)	<u>Total</u> (B)	<u>Rate 1</u> (C)	<u>Rate 2</u> (D)	<u>Rate 3</u> (D)
<u>Operating Revenues</u>					
(1)	Revenues From Steam Sales	\$43,101,932	\$4,665,666	\$35,370,698	\$3,065,568
(2)	Miscellaneous Revenues	<u>\$17,486,322</u>	<u>\$2,086,120</u>	<u>\$13,830,284</u>	<u>\$1,569,918</u>
(3)	Total	<u>\$60,588,254</u>	<u>\$6,751,786</u>	<u>\$49,200,981</u>	<u>\$4,635,486</u>
<u>Operating Expenses</u>					
(4)	Fuel	\$30,887,019	\$2,808,788	\$24,013,097	\$4,065,134
(5)	Operation and Maintenance	18,886,568	\$2,394,397	\$16,174,247	\$317,925
(6)	Depreciation and Amortization	2,442,977	360,805	2,039,126	43,046
(7)	Taxes Other Than Income Taxes	<u>1,850,003</u>	<u>229,938</u>	<u>1,537,207</u>	<u>82,858</u>
(8)	Total	<u>\$54,066,566</u>	<u>\$5,793,927</u>	<u>\$43,763,676</u>	<u>\$4,508,963</u>
(9)	Net Operating Income	<u>\$6,521,688</u>	<u>\$957,859</u>	<u>\$5,437,306</u>	<u>\$126,523</u>
(10)	Original Cost Rate Base	<u>\$79,341,424</u>	<u>\$11,653,104</u>	<u>\$66,149,065</u>	<u>\$1,539,254</u>
(11)	Rate of Return on Rate Base	8.22%	8.22%	8.22%	8.22%
(12)	Earnings Index	100%	100%	100%	100%

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
STATEMENT OF OPERATING INCOME BASED UPON PROFORMA B REVENUES
AT EQUALIZED RATES OF RETURN**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 10**

<u>Line No.</u>	<u>Description</u> (Column A)	<u>Total</u> (B)	<u>Rate 1</u> (C)	<u>Rate 2</u> (D)	<u>Rate 3</u> (D)
<u>Operating Revenues</u>					
(1)	Revenues From Steam Sales	\$46,012,996	\$4,980,417	\$37,919,340	\$3,113,239
(2)	Miscellaneous Revenues	<u>\$17,637,929</u>	<u>\$2,104,207</u>	<u>\$13,950,192</u>	<u>\$1,583,529</u>
(3)	Total	<u>\$63,650,924</u>	<u>\$7,084,624</u>	<u>\$51,869,532</u>	<u>\$4,696,769</u>
<u>Operating Expenses</u>					
(4)	Fuel	\$31,276,556	\$2,846,310	\$24,333,889	\$4,096,356
(5)	Operation and Maintenance	21,516,824	2,685,052	18,484,645	347,127
(6)	Depreciation and Amortization	2,442,977	360,805	2,039,126	43,046
(7)	Taxes Other Than Income Taxes	<u>1,892,880</u>	<u>234,598</u>	<u>1,574,566</u>	<u>83,716</u>
(8)	Total	<u>\$57,129,236</u>	<u>\$6,126,765</u>	<u>\$46,432,226</u>	<u>\$4,570,245</u>
(9)	Net Operating Income	<u>\$6,521,688</u>	<u>\$957,859</u>	<u>\$5,437,306</u>	<u>\$126,523</u>
(10)	Original Cost Rate Base	<u>\$79,341,424</u>	<u>\$11,653,104</u>	<u>\$66,149,065</u>	<u>\$1,539,254</u>
(11)	Rate of Return on Rate Base	8.22%	8.22%	8.22%	8.22%
(12)	Earnings Index	100%	100%	100%	100%

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
STATEMENT OF OPERATING INCOME BASED UPON PROFORMA B REVENUES
AT PROPOSED RATES OF RETURN**

**DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID**

**PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 11**

<u>Line No.</u>	<u>Description</u> (Column A)	<u>Total</u> (B)	<u>Rate 1</u> (C)	<u>Rate 2</u> (D)	<u>Rate 3</u> (D)
<u>Operating Revenues</u>					
(1)	Revenues From Steam Sales	\$46,012,998	\$5,409,177	\$36,716,345	\$3,887,294
(2)	Miscellaneous Revenues	<u>\$17,637,929</u>	<u>\$2,104,207</u>	<u>\$13,950,192</u>	<u>\$1,583,529</u>
(3)	Total	<u>\$63,650,926</u>	<u>\$7,513,384</u>	<u>\$50,666,537</u>	<u>\$5,470,823</u>
<u>Operating Expenses</u>					
(4)	Fuel	\$31,276,556	\$2,846,310	\$24,333,889	\$4,096,356
(5)	Operation and Maintenance	21,516,824	2,685,052	18,484,645	347,127
(6)	Depreciation and Amortization	2,442,977	360,805	2,039,126	43,046
(7)	Taxes Other Than Income Taxes	<u>1,892,880</u>	<u>240,601</u>	<u>1,557,724</u>	<u>94,552</u>
(8)	Total	<u>\$57,129,236</u>	<u>\$6,132,767</u>	<u>\$46,415,384</u>	<u>\$4,581,082</u>
(9)	Net Operating Income	<u>\$6,521,690</u>	<u>\$1,380,616</u>	<u>\$4,251,152</u>	<u>\$889,741</u>
(10)	Original Cost Rate Base	<u>\$79,341,424</u>	<u>\$11,653,104</u>	<u>\$66,149,065</u>	<u>\$1,539,254</u>
(11)	Rate of Return on Rate Base	8.22%	11.85%	6.43%	57.80%
(12)	Earnings Index	100%	144%	78%	703%

**CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
COMPARISON OF PROFORMA OPERATING REVENUES AND RESULTING DOLLAR SUBSIDY
LEVELS AT PRESENT AND PROPOSED RATES**

DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 12

<u>Line No.</u>	<u>Rate Schedule</u> (A)	<u>PROFORMA REVENUES - PRESENT RATES</u>			<u>PROFORMA REVENUES - PROPOSED RATES</u>			<u>Subsidy Reduction</u>	
		<u>Revenues At Present Rates</u> (B)	<u>Revenues Required For Equalized Returns</u> (C)	<u>Present Subsidy</u> (D)	<u>Revenues Required For Equalized Returns</u> (E)	<u>Revenues At Proposed Rates</u> (F)	<u>Proposed Subsidy</u> (G)	<u>Amount</u> (H)	<u>Percentage</u> (I)
(1)	Rate 1	\$7,228,186	\$6,751,786	\$476,400	\$7,084,624	\$7,513,384	\$428,760	\$47,640	10.00%
(2)	Rate 2	\$47,920,469	\$49,200,981	(\$1,280,512)	\$51,869,532	\$50,666,537	(\$1,202,995)	(\$77,517)	6.05%
(3)	Rate 3	\$5,439,600	\$4,635,486	\$804,114	\$4,696,769	\$5,470,823	\$774,054	\$30,060	3.74%
(4)	Total	\$60,588,256	\$60,588,254	\$2	\$63,650,924	\$63,650,743	(\$181)	\$183	

CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
COMPARISON OF STEAM SALES REVENUES AT PRESENT AND PROPOSED RATES

DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 13

STEAM SALES REVENUES					
<u>Line No.</u>	<u>Rate Schedule</u> (A)	Revenues	Revenues	<u>Increase or (Decrease)</u>	
		<u>At Present Rates</u> (B)	<u>At Proposed Rates</u> (C)	<u>Amount</u> (D)	<u>Percentage</u> (E)
(1)	Rate 1	\$5,142,066	\$5,409,177	\$267,111	5.19%
(2)	Rate 2	\$34,090,186	\$36,716,345	\$2,626,159	7.70%
(3)	Rate 3	\$3,869,682	\$3,887,294	\$17,611	0.46%
(4)	Total	\$43,101,934	\$46,012,815	\$2,910,881	6.75%

CITIZENS THERMAL ENERGY
IURC CAUSE NO. 43201
COST OF SERVICE STUDY - PHASE TWO
COMPARISON OF REVENUES AT PRESENT AND PROPOSED RATES

DATA: 12 MONTHS ENDED SEPTEMBER 30, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-5
SCHEDULE 14

DESCRIPTION	Number of Bills	Billing Quantities (therms)	Present Rates (\$/therm)	Proforma A FAC (\$/therm)	Effective Present Rates (\$/therm)	Revenue at Present Rates	Proposed Margin Rates (\$/therm)	Proforma B FAC (\$/therm)	Proposed Effective Rates (\$/therm)	Revenue at Proposed Rates	Increase in Revenues	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
<u>RATE 1 - GENERAL STEAM SERVICE</u>												
1-1000 Sq. Ft. EDR	180		\$38.00		\$38.00	\$6,840	\$40.00		\$40.00	\$7,200	\$360	5.26%
1001-10,000 Sq. Ft. EDR	1,304		\$95.00		\$95.00	\$123,880	\$100.00		\$100.00	\$130,400	\$6,520	5.26%
10,001-20,000 Sq. Ft. EDR	445		\$190.00		\$190.00	\$84,550	\$200.00		\$200.00	\$89,000	\$4,450	5.26%
Over 20,000 Sq. Ft. EDR	96		\$380.00		\$380.00	\$36,480	\$400.00		\$400.00	\$38,400	\$1,920	5.26%
Block 1		1,042,651	\$1.2141	\$0.4453	\$1.6594	\$1,730,183	\$1.2959	\$0.4513	\$1.7472	\$1,821,674	\$91,491	5.29%
Block 2		1,597,139	\$1.0098	\$0.4453	\$1.4551	\$2,324,010	\$1.0787	\$0.4513	\$1.5300	\$2,443,552	\$119,542	5.14%
Block 3		627,408	\$0.8871	\$0.4453	\$1.3324	\$835,963	\$0.9494	\$0.4513	\$1.4007	\$878,783	\$42,820	5.12%
Total Therms and Revenues	2,025	3,267,198				\$5,141,906				\$5,409,009	\$267,103	5.19%
						1.000031				1.000031		
						\$5,142,066				\$5,409,177		
<u>RATE 2 - DEMAND RATE SERVICE</u>												
Service Charge	859		\$0.00		\$0.00	\$0	\$0.00		\$0.00	\$0	\$0	N/A
Demand Charge	91,518		\$127.00		\$127.00	\$11,622,752	\$137.00		\$137.00	\$12,537,929	\$915,177	7.87%
Energy Charge		33,768,403	\$0.2200	\$0.4453	\$0.6653	\$22,466,375	\$0.2647	\$0.4513	\$0.7160	\$24,176,691	\$1,710,316	7.61%
Total Therms and Revenues	92,377	33,768,403				\$34,089,127				\$36,714,620	\$2,625,493	7.70%
						1.000031				1.000031		
						\$34,090,186				\$36,715,761		
<u>RATE 3 - ADDITIONAL SUMMER SERVICE</u>												
Service Charge-Provision A (Covanta)	12		\$ -		\$0.00	\$0			\$0.00	\$0	\$0	N/A
Service Charge-Provision B (CTE)	36		\$ -		\$0.0000	\$0			\$0.0000	\$0	\$0	N/A
Energy Charge (Covanta)-Provision A		8,639,946	\$ 0.0668	\$0.2000	\$0.2668	\$2,305,484	\$0.0668	\$0.2000	\$0.2668	\$2,305,484	\$0	0.00%
Energy Charge (CTE)-Provision B		2,960,374	\$ 0.0830	\$0.4453	\$0.5283	\$1,564,078	\$0.0830	\$0.4513	\$0.5343	\$1,581,686	\$17,608	1.13%
Total Therms and Revenues	48	11,600,320				\$3,869,562				\$3,887,170	\$17,608	0.46%
						1.000031				1.000031		
						\$3,869,682				\$3,887,291		
TOTAL THERMS AND REVENUE	94,450	48,635,921				\$43,101,934				\$46,012,229	\$2,910,204	6.75%
MISCELLANEOUS REVENUES						17,486,322				17,637,929		
TOTAL REVENUES						\$60,588,257				\$63,650,157	\$3,061,901	5.05%

Citizens Gas & Coke Utility
2020 North Meridian Street
Indianapolis, Indiana 46202

Second Revised Page No. 101
Superceding First Revised Page No. 101

RATE 1
GENERAL STEAM SERVICE

AVAILABILITY:

Available for space heating and other general service to customers located adjacent to the Utility's existing steam distribution mains. Not available for customers having an EDR (Equivalent Direct Radiation) of more than 30,000 square feet.

This service will be supplied on a year-round basis.

RATE:

The sum of the Customer Charge and the Energy Charge.

Customer Charge

0-1000 Sq. Ft. EDR	\$40.00/Month
1001-10000	100.00
10001-20000	200.00
20001-30000	400.00

Energy Charge

Any part of the first 1000 Therms	\$1.2959 per Therm
Any part of the next 4000 Therms	1.0787 per Therm
Over 5000 Therms	0.9494 per Therm

MINIMUM BILL PER MONTH:

The minimum bill will be the customer charge. Seasonal customers will receive bills during all months of the year even when no energy charge is due.

CONTRACT RIDERS APPLICABLE:

No. 1 - See Page 201.

PAYMENT:

The above rates and charges are net. If the net bill is not paid within seventeen days after its date of issue, a collection charge will be added in the amount of ten percent of the first three dollars, plus three percent of the excess of three dollars.

**Citizens Gas & Coke Utility
2020 North Meridian Street
Indianapolis, Indiana 46202**

**Second Revised Page No. 101-B
Superceding First Revised Page No. 101-B**

CONTRACT TERM:

Contracts, except special contracts, shall be for an initial term of three years and shall continue in effect thereafter for successive terms of one year each unless written notice of intention to terminate is given by either party to the other at least sixty days before the end of any term. Special contracts shall be for such term as may be agreed upon by the parties, subject to approval of the Indiana Utility Regulatory Commission.

**Current base rates effective pursuant
to I.U.R.C. Order in Cause No. 43201**

Effective:

Citizens Gas & Coke Utility
2020 North Meridian Street
Indianapolis, Indiana 46202

Second Revised Page No. 102
Superceding First Revised Page No. 102

RATE 2
DEMAND RATE SERVICE

AVAILABILITY:

Available to all steam customers located adjacent to the steam mains of the Utility, providing they contract for a minimum Billing Demand of 50 Therms per hour in the Month of maximum usage during the year, and providing billing will be continuous throughout all twelve Months of the year.

RATE:

The sum of the Demand Charge and the Energy Charge.

Demand Charge

\$137.00 per Therm per Hour

Energy Charge

\$ 0.2647 per Therm

BILLING DEMAND:

The Billing Demand shall be the maximum average Demand for a thirty-minute period, measured in Therms per hour, during the Month for which the bill is rendered, but in no case shall the Billing Demand be less than seventy-five per cent of the maximum thirty-minute Demand during the preceding eleven Months.

Where the character of the load is such that the steam demands fluctuate violently between maximum and minimum so that determination of an average thirty (30) minute Demand is impractical, then the Billing Demand will be based upon the average of the three highest peaks during the thirty (30) minute period.

MINIMUM MONTHLY BILL:

The minimum Monthly charge shall be the demand charge and, in no case, less than \$5,137.50 per Month.

CONTRACT RIDERS APPLICABLE:

No. 1 - See Page 201.

Current base rates effective pursuant
to I.U.R.C. Order in Cause No. 43201

Effective:

**Citizens Gas & Coke Utility
2020 North Meridian Street
Indianapolis, Indiana 46202**

**Second Revised Page No. 102-B
Superceding First Revised Page No. 102-B**

PAYMENT:

The above rates and charges are net. If the net bill is not paid within seventeen days after its date of issue, a collection charge will be added in the amount of ten percent of the first three dollars plus three percent of the excess of three dollars.

CONTRACT TERM:

Contracts shall be for an initial term of not less than three years and shall continue in effect thereafter for successive like terms. The Utility may require a special contract when unusual construction or equipment expense is necessary to furnish the service subject to approval of the Indiana Utility Regulatory Commission.

**Current base rates effective pursuant
to I.U.R.C. Order in Cause No. 43201**

Effective:

CITIZENS THERMAL ENERGY

Dollar Impact of Cause No. 43201 - Phase 2 on Typical General Steam Service Customer
 Phase 2 Rates In Comparison to Proposed Phase 1 Rates

PHASE 1 RATES

Therms	Facilities Charge	g First 1000	i Next 4000	k Over 5000	Proforma A FAC Phase 1	Current Bill w/ Fuel
50	\$190.00	\$1.2141	\$1.0098	\$0.8871	\$0.44530	272.97
100	190.00	1.2141	1.0098	0.8871	\$0.44530	355.94
200	190.00	1.2141	1.0098	0.8871	\$0.44530	521.88
300	190.00	1.2141	1.0098	0.8871	\$0.44530	687.82
400	190.00	1.2141	1.0098	0.8871	\$0.44530	853.76
500	190.00	1.2141	1.0098	0.8871	\$0.44530	1,019.70
600	190.00	1.2141	1.0098	0.8871	\$0.44530	1,185.64
700	190.00	1.2141	1.0098	0.8871	\$0.44530	1,351.58
800	190.00	1.2141	1.0098	0.8871	\$0.44530	1,517.52
900	190.00	1.2141	1.0098	0.8871	\$0.44530	1,683.46
1,000	190.00	1.2141	1.0098	0.8871	\$0.44530	1,849.40
2,000	190.00	1.2141	1.0098	0.8871	\$0.44530	3,304.50
4,000	190.00	1.2141	1.0098	0.8871	\$0.44530	6,214.70
6,000	190.00	1.2141	1.0098	0.8871	\$0.44530	9,002.20
8,000	190.00	1.2141	1.0098	0.8871	\$0.44530	11,667.00
10,000	190.00	1.2141	1.0098	0.8871	\$0.44530	14,331.80
12,000	190.00	1.2141	1.0098	0.8871	\$0.44530	16,996.60
14,000	190.00	1.2141	1.0098	0.8871	\$0.44530	19,661.40
16,000	190.00	1.2141	1.0098	0.8871	\$0.44530	22,326.20
18,000	190.00	1.2141	1.0098	0.8871	\$0.44530	24,991.00
20,000	190.00	1.2141	1.0098	0.8871	\$0.44530	27,655.80

PHASE 2 RATES

Therms	Facilities Charge	First 1000	Next 4000	Over 5000	Proforma B FAC Phase 2	Proposed Bill w/ Fuel	\$ Diff. Current vs Proposed	% Diff. Current vs Proposed
50	\$200.00	\$1.2959	\$1.0787	\$0.9494	\$0.45130	287.36	14.39	5.01%
100	200.00	1.2959	1.0787	0.9494	\$0.45130	374.72	18.78	5.01%
200	200.00	1.2959	1.0787	0.9494	\$0.45130	549.44	27.56	5.02%
300	200.00	1.2959	1.0787	0.9494	\$0.45130	724.16	36.34	5.02%
400	200.00	1.2959	1.0787	0.9494	\$0.45130	898.88	45.12	5.02%
500	200.00	1.2959	1.0787	0.9494	\$0.45130	1,073.60	53.90	5.02%
600	200.00	1.2959	1.0787	0.9494	\$0.45130	1,248.32	62.68	5.02%
700	200.00	1.2959	1.0787	0.9494	\$0.45130	1,423.04	71.46	5.02%
800	200.00	1.2959	1.0787	0.9494	\$0.45130	1,597.76	80.24	5.02%
900	200.00	1.2959	1.0787	0.9494	\$0.45130	1,772.48	89.02	5.02%
1,000	200.00	1.2959	1.0787	0.9494	\$0.45130	1,947.20	97.80	5.02%
2,000	200.00	1.2959	1.0787	0.9494	\$0.45130	3,477.20	172.70	4.97%
4,000	200.00	1.2959	1.0787	0.9494	\$0.45130	6,537.20	322.50	4.93%
6,000	200.00	1.2959	1.0787	0.9494	\$0.45130	9,467.90	465.70	4.92%
8,000	200.00	1.2959	1.0787	0.9494	\$0.45130	12,269.30	602.30	4.91%
10,000	200.00	1.2959	1.0787	0.9494	\$0.45130	15,070.70	738.90	4.90%
12,000	200.00	1.2959	1.0787	0.9494	\$0.45130	17,872.10	875.50	4.90%
14,000	200.00	1.2959	1.0787	0.9494	\$0.45130	20,673.50	1,012.10	4.90%
16,000	200.00	1.2959	1.0787	0.9494	\$0.45130	23,474.90	1,148.70	4.89%
18,000	200.00	1.2959	1.0787	0.9494	\$0.45130	26,276.30	1,285.30	4.89%
20,000	200.00	1.2959	1.0787	0.9494	\$0.45130	29,077.70	1,421.90	4.89%

CITIZENS GAS & COKE UTILITY

Dollar Impact of Cause No. 43201 - Phase 2 on Typical Demand Rate Steam Service
 Phase 2 Rates In Comparison to Proposed Phase 1 Rates

PHASE 1 RATES

Therms	Load Factor 25% Demand Amount	Energy Charge	Demand Charge	Proforma A FAC Phase 2	Current Bill w/ Fuel
1,000	5.48	\$0.2200	\$127.00	0.4681	\$1,383.95
2,000	10.96	0.2200	\$127.00	0.4681	\$2,767.90
4,000	21.92	0.2200	\$127.00	0.4681	\$5,535.80
6,000	32.88	0.2200	\$127.00	0.4681	\$8,303.70
8,000	43.84	0.2200	\$127.00	0.4681	\$11,071.60
10,000	54.79	0.2200	\$127.00	0.4681	\$13,839.50
15,000	82.19	0.2200	\$127.00	0.4681	\$20,759.26
20,000	109.59	0.2200	\$127.00	0.4681	\$27,679.01
25,000	136.99	0.2200	\$127.00	0.4681	\$34,598.76
30,000	164.38	0.2200	\$127.00	0.4681	\$41,518.51
35,000	191.78	0.2200	\$127.00	0.4681	\$48,438.26
40,000	219.18	0.2200	\$127.00	0.4681	\$55,358.02
45,000	246.58	0.2200	\$127.00	0.4681	\$62,277.77
50,000	273.97	0.2200	\$127.00	0.4681	\$69,197.52
60,000	328.77	0.2200	\$127.00	0.4681	\$83,037.02
70,000	383.56	0.2200	\$127.00	0.4681	\$96,876.53
80,000	438.36	0.2200	\$127.00	0.4681	\$110,716.03
90,000	493.15	0.2200	\$127.00	0.4681	\$124,555.54
100,000	547.95	0.2200	\$127.00	0.4681	\$138,395.04
200,000	1,095.89	0.2200	\$127.00	0.4681	\$276,790.08
300,000	1,643.84	0.2200	\$127.00	0.4681	\$415,185.12
400,000	2,191.78	0.2200	\$127.00	0.4681	\$553,580.16
500,000	2,739.73	0.2200	\$127.00	0.4681	\$691,975.21
600,000	3,287.67	0.2200	\$127.00	0.4681	\$830,370.25
700,000	3,835.62	0.2200	\$127.00	0.4681	\$968,765.29
800,000	4,383.56	0.2200	\$127.00	0.4681	\$1,107,160.33

PHASE 2 RATES

Therms	Load Factor 25% Demand Amount	Energy Charge	Demand Charge	Proforma B FAC Phase 2	Proposed Bill w/ Fuel	\$ Diff. Current vs Proposed	% Diff. Current vs Proposed
1,000	5.48	\$0.2647	\$137.00	0.4513	\$1,466.68	\$82.73	5.98%
2,000	10.96	0.2647	\$137.00	0.4513	\$2,933.37	\$165.47	5.98%
4,000	21.92	0.2647	\$137.00	0.4513	\$5,866.74	\$330.94	5.98%
6,000	32.88	0.2647	\$137.00	0.4513	\$8,800.11	\$496.41	5.98%
8,000	43.84	0.2647	\$137.00	0.4513	\$11,733.48	\$661.88	5.98%
10,000	54.79	0.2647	\$137.00	0.4513	\$14,666.85	\$827.35	5.98%
15,000	82.19	0.2647	\$137.00	0.4513	\$22,000.27	\$1,241.01	5.98%
20,000	109.59	0.2647	\$137.00	0.4513	\$29,333.70	\$1,654.69	5.98%
25,000	136.99	0.2647	\$137.00	0.4513	\$36,667.12	\$2,068.36	5.98%
30,000	164.38	0.2647	\$137.00	0.4513	\$44,000.55	\$2,482.04	5.98%
35,000	191.78	0.2647	\$137.00	0.4513	\$51,333.97	\$2,895.71	5.98%
40,000	219.18	0.2647	\$137.00	0.4513	\$58,667.40	\$3,309.38	5.98%
45,000	246.58	0.2647	\$137.00	0.4513	\$66,000.82	\$3,723.05	5.98%
50,000	273.97	0.2647	\$137.00	0.4513	\$73,334.25	\$4,136.73	5.98%
60,000	328.77	0.2647	\$137.00	0.4513	\$88,001.10	\$4,964.08	5.98%
70,000	383.56	0.2647	\$137.00	0.4513	\$102,667.95	\$5,791.42	5.98%
80,000	438.36	0.2647	\$137.00	0.4513	\$117,334.79	\$6,618.76	5.98%
90,000	493.15	0.2647	\$137.00	0.4513	\$132,001.64	\$7,446.10	5.98%
100,000	547.95	0.2647	\$137.00	0.4513	\$146,668.49	\$8,273.45	5.98%
200,000	1,095.89	0.2647	\$137.00	0.4513	\$293,336.99	\$16,546.91	5.98%
300,000	1,643.84	0.2647	\$137.00	0.4513	\$440,005.48	\$24,820.36	5.98%
400,000	2,191.78	0.2647	\$137.00	0.4513	\$586,673.97	\$33,093.81	5.98%
500,000	2,739.73	0.2647	\$137.00	0.4513	\$733,342.47	\$41,367.26	5.98%
600,000	3,287.67	0.2647	\$137.00	0.4513	\$880,010.96	\$49,640.71	5.98%
700,000	3,835.62	0.2647	\$137.00	0.4513	\$1,026,679.45	\$57,914.16	5.98%
800,000	4,383.56	0.2647	\$137.00	0.4513	\$1,173,347.95	\$66,187.62	5.98%

CITIZENS GAS & COKE UTILITY

Dollar Impact of Cause No. 43201 - Phase 2 on Typical Demand Rate Steam Service
 Phase 2 Rates In Comparison to Proposed Phase 1 Rates

PHASE 1 RATES

Therms	Load Factor 50% Demand Amount	Energy Charge	Demand Charge	Proforma A FAC Phase 2	Current Bill w/ Fuel
1,000	2.74	\$0.2200	\$127.00	0.4681	\$1,036.01
2,000	5.48	0.2200	\$127.00	0.4681	\$2,072.01
4,000	10.96	0.2200	\$127.00	0.4681	\$4,144.02
6,000	16.44	0.2200	\$127.00	0.4681	\$6,216.03
8,000	21.92	0.2200	\$127.00	0.4681	\$8,288.04
10,000	27.40	0.2200	\$127.00	0.4681	\$10,360.05
15,000	41.10	0.2200	\$127.00	0.4681	\$15,540.08
20,000	54.79	0.2200	\$127.00	0.4681	\$20,720.10
25,000	68.49	0.2200	\$127.00	0.4681	\$25,900.13
30,000	82.19	0.2200	\$127.00	0.4681	\$31,080.16
35,000	95.89	0.2200	\$127.00	0.4681	\$36,260.18
40,000	109.59	0.2200	\$127.00	0.4681	\$41,440.21
45,000	123.29	0.2200	\$127.00	0.4681	\$46,620.23
50,000	136.99	0.2200	\$127.00	0.4681	\$51,800.26
60,000	164.38	0.2200	\$127.00	0.4681	\$62,160.31
70,000	191.78	0.2200	\$127.00	0.4681	\$72,520.36
80,000	219.18	0.2200	\$127.00	0.4681	\$82,880.42
90,000	246.58	0.2200	\$127.00	0.4681	\$93,240.47
100,000	273.97	0.2200	\$127.00	0.4681	\$103,600.52
200,000	547.95	0.2200	\$127.00	0.4681	\$207,201.04
300,000	821.92	0.2200	\$127.00	0.4681	\$310,801.56
400,000	1,095.89	0.2200	\$127.00	0.4681	\$414,402.08
500,000	1,369.86	0.2200	\$127.00	0.4681	\$518,002.60
600,000	1,643.84	0.2200	\$127.00	0.4681	\$621,603.12
700,000	1,917.81	0.2200	\$127.00	0.4681	\$725,203.64
800,000	2,191.78	0.2200	\$127.00	0.4681	\$828,804.16

PHASE 2 RATES

Therms	Load Factor 50% Demand Amount	Energy Charge	Demand Charge	Proforma B FAC Phase 2	Proposed Bill w/ Fuel	\$ Diff. Current vs Proposed	% Diff. Current vs Proposed
1,000	2.74	\$0.2647	\$137.00	0.4513	\$1,091.34	\$55.33	5.34%
2,000	5.48	0.2647	\$137.00	0.4513	\$2,182.68	\$110.67	5.34%
4,000	10.96	0.2647	\$137.00	0.4513	\$4,365.37	\$221.35	5.34%
6,000	16.44	0.2647	\$137.00	0.4513	\$6,548.05	\$332.02	5.34%
8,000	21.92	0.2647	\$137.00	0.4513	\$8,730.74	\$442.70	5.34%
10,000	27.40	0.2647	\$137.00	0.4513	\$10,913.42	\$553.37	5.34%
15,000	41.10	0.2647	\$137.00	0.4513	\$16,370.14	\$830.06	5.34%
20,000	54.79	0.2647	\$137.00	0.4513	\$21,826.85	\$1,106.75	5.34%
25,000	68.49	0.2647	\$137.00	0.4513	\$27,283.56	\$1,383.43	5.34%
30,000	82.19	0.2647	\$137.00	0.4513	\$32,740.27	\$1,660.11	5.34%
35,000	95.89	0.2647	\$137.00	0.4513	\$38,196.99	\$1,936.81	5.34%
40,000	109.59	0.2647	\$137.00	0.4513	\$43,653.70	\$2,213.49	5.34%
45,000	123.29	0.2647	\$137.00	0.4513	\$49,110.41	\$2,490.18	5.34%
50,000	136.99	0.2647	\$137.00	0.4513	\$54,567.12	\$2,766.86	5.34%
60,000	164.38	0.2647	\$137.00	0.4513	\$65,480.55	\$3,320.24	5.34%
70,000	191.78	0.2647	\$137.00	0.4513	\$76,393.97	\$3,873.61	5.34%
80,000	219.18	0.2647	\$137.00	0.4513	\$87,307.40	\$4,426.98	5.34%
90,000	246.58	0.2647	\$137.00	0.4513	\$98,220.82	\$4,980.35	5.34%
100,000	273.97	0.2647	\$137.00	0.4513	\$109,134.25	\$5,533.73	5.34%
200,000	547.95	0.2647	\$137.00	0.4513	\$218,268.49	\$11,067.45	5.34%
300,000	821.92	0.2647	\$137.00	0.4513	\$327,402.74	\$16,601.18	5.34%
400,000	1,095.89	0.2647	\$137.00	0.4513	\$436,536.99	\$22,134.91	5.34%
500,000	1,369.86	0.2647	\$137.00	0.4513	\$545,671.23	\$27,668.63	5.34%
600,000	1,643.84	0.2647	\$137.00	0.4513	\$654,805.48	\$33,202.36	5.34%
700,000	1,917.81	0.2647	\$137.00	0.4513	\$763,939.73	\$38,736.09	5.34%
800,000	2,191.78	0.2647	\$137.00	0.4513	\$873,073.97	\$44,269.81	5.34%

CITIZENS GAS & COKE UTILITY
 Dollar Impact of Cause No. 43201 - Phase 2 on Typical Demand Rate Steam Service
 Phase 2 Rates In Comparison to Proposed Phase 1 Rates

PHASE 1 RATES

Therms	Load Factor 75% Demand Amount	Energy Charge	Demand Charge	Proforma A FAC Phase 2	Current Bill w/ Fuel
1,000	1.83	\$0.2200	\$127.00	0.4681	\$920.02
2,000	3.65	0.2200	\$127.00	0.4681	\$1,840.05
4,000	7.31	0.2200	\$127.00	0.4681	\$3,680.09
6,000	10.96	0.2200	\$127.00	0.4681	\$5,520.14
8,000	14.61	0.2200	\$127.00	0.4681	\$7,360.19
10,000	18.26	0.2200	\$127.00	0.4681	\$9,200.23
15,000	27.40	0.2200	\$127.00	0.4681	\$13,800.35
20,000	36.53	0.2200	\$127.00	0.4681	\$18,400.47
25,000	45.66	0.2200	\$127.00	0.4681	\$23,000.59
30,000	54.79	0.2200	\$127.00	0.4681	\$27,600.70
35,000	63.93	0.2200	\$127.00	0.4681	\$32,200.82
40,000	73.06	0.2200	\$127.00	0.4681	\$36,800.94
45,000	82.19	0.2200	\$127.00	0.4681	\$41,401.06
50,000	91.32	0.2200	\$127.00	0.4681	\$46,001.17
60,000	109.59	0.2200	\$127.00	0.4681	\$55,201.41
70,000	127.85	0.2200	\$127.00	0.4681	\$64,401.64
80,000	146.12	0.2200	\$127.00	0.4681	\$73,601.88
90,000	164.38	0.2200	\$127.00	0.4681	\$82,802.11
100,000	182.65	0.2200	\$127.00	0.4681	\$92,002.35
200,000	365.30	0.2200	\$127.00	0.4681	\$184,004.69
300,000	547.95	0.2200	\$127.00	0.4681	\$276,007.04
400,000	730.59	0.2200	\$127.00	0.4681	\$368,009.39
500,000	913.24	0.2200	\$127.00	0.4681	\$460,011.74
600,000	1,095.89	0.2200	\$127.00	0.4681	\$552,014.08
700,000	1,278.54	0.2200	\$127.00	0.4681	\$644,016.43
800,000	1,461.19	0.2200	\$127.00	0.4681	\$736,018.78

PHASE 2 RATES

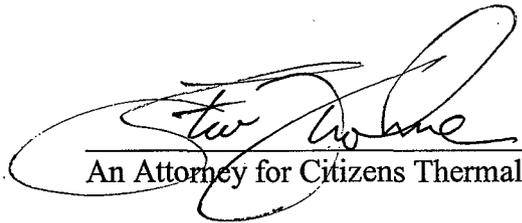
Therms	Load Factor 75% Demand Amount	Energy Charge	Demand Charge	Proforma B FAC Phase 2	Proposed Bill w/ Fuel	\$ Diff. Current vs Proposed	% Diff. Current vs Proposed
1,000	1.83	\$0.2647	\$137.00	0.4513	\$966.23	\$46.21	5.02%
2,000	3.65	0.2647	\$137.00	0.4513	\$1,932.46	\$92.41	5.02%
4,000	7.31	0.2647	\$137.00	0.4513	\$3,864.91	\$184.82	5.02%
6,000	10.96	0.2647	\$137.00	0.4513	\$5,797.37	\$277.23	5.02%
8,000	14.61	0.2647	\$137.00	0.4513	\$7,729.83	\$369.64	5.02%
10,000	18.26	0.2647	\$137.00	0.4513	\$9,662.28	\$462.05	5.02%
15,000	27.40	0.2647	\$137.00	0.4513	\$14,493.42	\$693.07	5.02%
20,000	36.53	0.2647	\$137.00	0.4513	\$19,324.57	\$924.10	5.02%
25,000	45.66	0.2647	\$137.00	0.4513	\$24,155.71	\$1,155.12	5.02%
30,000	54.79	0.2647	\$137.00	0.4513	\$28,986.85	\$1,386.15	5.02%
35,000	63.93	0.2647	\$137.00	0.4513	\$33,817.99	\$1,617.17	5.02%
40,000	73.06	0.2647	\$137.00	0.4513	\$38,649.13	\$1,848.19	5.02%
45,000	82.19	0.2647	\$137.00	0.4513	\$43,480.27	\$2,079.21	5.02%
50,000	91.32	0.2647	\$137.00	0.4513	\$48,311.42	\$2,310.25	5.02%
60,000	109.59	0.2647	\$137.00	0.4513	\$57,973.70	\$2,772.29	5.02%
70,000	127.85	0.2647	\$137.00	0.4513	\$67,635.98	\$3,234.34	5.02%
80,000	146.12	0.2647	\$137.00	0.4513	\$77,298.26	\$3,696.38	5.02%
90,000	164.38	0.2647	\$137.00	0.4513	\$86,960.55	\$4,158.44	5.02%
100,000	182.65	0.2647	\$137.00	0.4513	\$96,622.83	\$4,620.48	5.02%
200,000	365.30	0.2647	\$137.00	0.4513	\$193,245.66	\$9,240.97	5.02%
300,000	547.95	0.2647	\$137.00	0.4513	\$289,868.49	\$13,861.45	5.02%
400,000	730.59	0.2647	\$137.00	0.4513	\$386,491.32	\$18,481.93	5.02%
500,000	913.24	0.2647	\$137.00	0.4513	\$483,114.16	\$23,102.42	5.02%
600,000	1,095.89	0.2647	\$137.00	0.4513	\$579,736.99	\$27,722.91	5.02%
700,000	1,278.54	0.2647	\$137.00	0.4513	\$676,359.82	\$32,343.39	5.02%
800,000	1,461.19	0.2647	\$137.00	0.4513	\$772,982.65	\$36,963.87	5.02%

CERTIFICATE OF SERVICE

I hereby certify that a copy of the "Direct Testimony and Exhibits of Kerry A. Heid" was served by hand-delivery or United States mail, First Class postage prepaid this 16th day of April, 2007 on the following:

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